

# **WINTHROP UNIVERSITY**

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**Independent Auditors' Report**  
**Financial Statements and Schedules**  
**For the Year Ended June 30, 2020**

# WINTHROP UNIVERSITY

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## FINANCIAL INFORMATION

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## Independent Auditors' Report

The Board of Trustees of  
Winthrop University  
Rock Hill, South Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of Winthrop University, a component unit of the State of South Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Winthrop University Foundation and the Winthrop Real Estate Foundation, Inc., which represent 100 percent of the discretely presented component units presented in the financial statements. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Winthrop University Foundation and Winthrop University Real Estate Foundation Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. The financial statements of The Winthrop University Foundation and Winthrop Real Estate Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component units of Winthrop University as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the University's Proportionate Share of the Net Pension Liability, the Schedule of the University's Pension Contributions, the Schedule of the University's Proportionate Share of the Net OPEB liability, and the Schedule of the University's OPEB Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

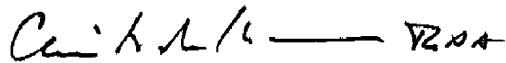
*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Winthrop University's basic financial statements. The other financial information is presented for purposes of additional analysis as required by Office of the South Carolina Comptroller General and is not a required part of the basic financial statements.

The other financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, on our consideration of Winthrop University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



Gaffney, SC  
September 30, 2020



**WINTHROP UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

The following discussion and analysis has been prepared by management to provide an overview of the financial position and activities of Winthrop University (the University) for the year ended June 30, 2020. This discussion should be read in conjunction with the financial statements and accompanying notes to the financial statements. The financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also complies with the requirements of GASB Statements 36, 37, 38 and 61 that were issued to amend Statements 34 and 35. In the year ended June 30, 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. In the year ended June 30, 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**Introduction**

Winthrop is a public, comprehensive university that is ranked 6th by U.S. News & World Report among Southern public universities and 13<sup>th</sup> among regional universities in the South. Through an educational experience that blends liberal arts, professional programs, global awareness and civic engagement, Winthrop helps students develop the knowledge, skills, and values that will enrich their lives and prepare for all the future holds.

Founded in 1886, Winthrop offers bachelor's and master's degrees through both on-campus and online programs. Our historic and scenic campus is located in Rock Hill, South Carolina, just 20 minutes south of Charlotte. Our traditions of national caliber academics, championship athletics, and student-centered achievements create a campus community that is known for its diversity, excellence, and family atmosphere.

Winthrop is one of only 37 universities nationally and the only one in South Carolina with all arts programs accredited, and the business college's AACSB-accreditation is held by less than 5% of programs worldwide.

Through the SC INBRE initiative, Winthrop has provided hundreds of student-centered research experiences since 2005, increasing the matriculation of participating students into graduate and professional programs. These grant-funded initiatives have been a catalyst for enhancing our STEM-specific infrastructure and brought more than \$12 million to Winthrop over the years.

Over 400 undergraduate students engaged in undergraduate research last year. More than 250 of these students, representing at least 30 departments and programs from all five colleges, presented or performed their scholarly and creative work on campus. All students at Winthrop can choose to do undergraduate research with a professor and present their research locally, regionally and/or nationally.

Numerous national accolades reflect the sustained high quality and value of the Winthrop Experience, including:

U.S. News “Best Colleges” ranked Winthrop 6th among Southern publics, 13<sup>th</sup> among regional schools public and private, 11th for best undergraduate teaching, 12<sup>th</sup> for most innovative schools, and once again a Best College for Vets. The Princeton Review has counted us among the best southeast colleges for 15+ years, based on academic excellence and student testimonials. Our educational quality, affordability and alumni success prompted Money Magazine to name us a best college for value.

Minority student achievement remains strong with the Education Trust having named **Winthrop #2 in the nation** for high rates of graduation success for black students. For diversity in the workplace, Winthrop is ranked **1st among state institutions** for reaching goals related to the hiring of women and minorities.

Washington Monthly most recently included us on a list of best colleges for student voting, but we’ve also been recognized before for our voter friendly campus and impressive turnout. Additionally, the West Forum trains our state’s next generation of political and civic leaders and sponsors programs, events and activities that promote civic engagement.

The Princeton Review included us in its green colleges guide for our impressive green-related affiliations and accreditations, plus our sustainability efforts. We have a robust recycling and sustainability education program. Our energy and water conservation, solid waste reduction and air quality measures helped us become a City of Rock Hill Certified Green Workplace.

Effective March 1, 2020, Dr. George W. Hynd was named as Interim President to replace Dr. Daniel Mahony who left Winthrop to serve as the President of the University of Southern Illinois system. Dr. Hynd will serve as Interim President until June 2022 at which point the University hopes to announce its next President. During Dr. Hynd’s tenure, he will be leading the University through the SACSCOC decennial reaffirmation while also focusing on a 5-year review and refresh of the Winthrop Plan.

On March 15, 2020, in response to COVID-19 public health concerns, the Governor of South Carolina announced the closure of all South Carolina schools, including public universities. The University immediately moved to remote instruction for the remainder of the Spring semester, residence halls were closed to all students except those with severely extenuating circumstances, and on-campus dining locations were closed with limited pick-up meals provided to students who remained on campus. (See Note 13 for more details.)

Given the COVID-19 pandemic that has caused many uncertainties in higher education and at Winthrop, Dr. Hynd will lead the University in new strategic planning efforts that focus on academic offerings, space utilization, deferred maintenance, technology, and an underlying Budget model to support the funding of the execution of the strategic plan.

### **Statement of Net Position**

The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Winthrop University. The Statement of Net Position is a point-of-time financial statement that presents data concerning assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position of the University as of the end of the fiscal year. Current assets are those that are reasonably expected to be realized in cash or sold or consumed within one year. Current liabilities are obligations whose liquidation is expected to require the use of current assets.



Net position is divided into three major categories. The first category, net investment in capital assets, provides the University's equity in property, plant, and equipment owned by the institution. The next category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is not available for expenditure. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. The unrestricted portion of net position is available to the institution for any lawful purpose of the University. Although the unrestricted portion is not subject to externally imposed restrictions, substantially all of the University's unrestricted net position is designated for various academic or future capital initiatives.

The following Condensed Statement of Net Position has been presented to comply with the changes required by GASB Statements 68 and 75. The unrestricted net position is a negative as a result of the adoption of GASB 68 and 75 and the recognition of the University's proportionate share of the net liabilities for the South Carolina Retirement System (SCRS), the South Carolina Police Officers Retirement System (PORS), and Other Postemployment Benefits (OPEB). For additional information, see Impact of GASB 68 and 75 on page 8, as well as Notes 10 and 11 in the accompanying notes to the financial statements.

	2020	2019	(Decrease)
<b>ASSETS</b>			
Current Assets	\$ 36,692,822	\$ 33,106,707	\$ 3,586,115
Capital Assets, Net of Accumulated Depreciation	91,555,695	96,857,435	(5,301,740)
Other Noncurrent Assets	15,403,215	16,165,380	(762,165)
Total Assets	143,651,732	146,129,522	(2,477,790)
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	21,268,437	19,116,510	2,151,927
<b>LIABILITIES</b>			
Current Liabilities	27,119,276	26,180,370	938,906
Noncurrent Liabilities	30,190,731	36,816,057	(6,625,326)
Net Pension Liability	89,631,822	93,404,144	(3,772,322)
Net OPEB Liability	85,399,328	85,509,791	(110,463)
Total Liabilities	232,341,157	241,910,362	(9,569,205)
<b>DEFERRED INFLOWS OF RESOURCES</b>	21,950,677	14,847,054	7,103,623
<b>NET POSITION</b>			
Net Investment in Capital Assets	60,046,354	59,239,206	807,148
Restricted for Nonexpendable	499,628	499,628	0
Restricted for Expendable	2,478,208	2,362,028	116,180
Unrestricted *	(152,395,855)	(153,612,246)	1,216,391
Total Net Position	\$ (89,371,665)	\$ (91,511,384)	\$ 2,139,719

\*See Impact of GASB 68 and 75 on page 8. Exclusive of the GASB 68 and 75 changes, the Unrestricted Net Position increased by \$2,117,890 to a total of \$24,602,256.

- Current Assets increased by \$3,586,115. An increase in Cash and Cash equivalents of \$4.7M was offset by a \$1.1M decline in Current Accounts Receivable. Cash and Cash equivalents increased \$1.45M as a result of the sale of the Coke Building (see Note 5). Cash also increased \$511K as a result of timing of Accounts Payable recorded at year end. In addition, an increase in the Institutional Capital Project Fund cash of \$943K resulted from the State Treasurer's transfer of \$716K in debt service in excess of what was needed for upcoming debt payments and investment earnings of \$284K. This increase was offset by \$57K in funds transferred out to cover renovation project expenses. In addition to the \$1.1M collection of receivables, the University recognized a \$588K increase in summer school payments related to sessions or portions of session that occurred after July 1 (reported as unearned revenue). And finally, prepayments increased by \$135K for payments made in FY2020 related to FY2021 expenses.
- Capital Assets, Net of Accumulated Depreciation decreased by \$5,301,740 which was primarily a result of depreciation expense in the amount of \$4,624,113 as well as a reduction of \$916,000, the value of the land and building net of depreciation attributable to the sale of the Coke Building. These reductions were offset slightly by \$238,373, the value of assets placed into service during the fiscal year.
- Other Noncurrent Assets decreased by \$762,165. Of this decline, \$300K was recognized in Restricted Cash and Cash Equivalents as a result of Master Lease proceeds spent during the fiscal year, as well as the required repayment of Perkins Loan funds (see Note 4) net of collections. In addition, Perkin's Loans Receivables declined by \$381K as a result of the year's collections on loans.
- Deferred Outflows of Resources increased by \$2,151,927, which related to the Net Pension (NPL) and Net OPEB (NOL) liabilities. Under GASB 68 and 75, the investment and net liability experience and contributions subsequent to the measurement date are reported in Deferred Outflows of Resources. Variances from year to year can be related to such measurements as differences between expected and actual experience, changes of assumptions, and net difference between projected and actual earnings on investments. See Notes 10 and 11 for additional details.
- Current Liabilities increased by \$938,906 overall, of which \$511K was in Accounts Payable and Accrued Liabilities primarily because of timing differences of accrued expenses recorded at year end. Additionally, unearned revenue increased by \$588K, again, primarily as a result of an increase in payments received on student accounts for summer school sessions or parts of sessions occurring after July 1. These increases were offset by a total of \$160K decline in the current portions of Long-Term Debt and Compensated Absences.
- Noncurrent Liabilities decreased by \$6,625,326. Long-Term debt and related premiums on Long-Term debt decreased by \$6,446,092. This decrease in debt resulted from the principal payments made, as well as the bond premium amortized. The Perkins Loan Federal Liability also declined by a total of \$481,219 as a result of the repayment of excess funds to the Department of Education and the University (see Note 4). These reductions were offset by a \$301,985 increase in the Long-Term portion of the Compensated Absences liability.
- Net Pension Liability (NPL) decreased by \$3,772,322. This liability is the University's proportionate share of the pension liability amount related to its defined benefit plans. The NPL amount is provided by the South Carolina Public Employee Benefit Authority's (PEBA's) consulting actuary, and reported in accordance with the GASB 68 requirements. Total pension liability may be impacted annually by the cost of service accrued by participants, interest accrued on the liability, the impact of benefit and assumption changes, the cost of benefit payments, and the difference between expected and actual plan experience. (See Note 10 for more details).

- Net OPEB Liability decreased by \$110,463. This liability is the University's proportionate share of the postemployment benefits other than pension. The Other Postemployment Benefits Trust Funds (OPEB Trusts), collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF). These OPEB Trusts are administered by PEBA - Insurance Benefits. The OPEB liability amount is reported in accordance with the GASB 75 requirements. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future such as future employment, mortality, and the healthcare cost trend. Like the Net Pension Liability, the net OPEB liability may be impacted annually by the cost of service accrued by participants, interest accrued on the liability, the impact of benefit and assumption changes, the cost of benefit payments, and the difference between expected and actual plan experience. (See Note 11 for more details).
- The University's overall net position increased by \$2,139,719.
  - Net Investment in Capital Assets increased by \$807,148. As mentioned earlier, the overall Capital Asset value declined by \$5,301,740 as a result of the sale of the Coke building, and the depreciation expense in excess of the value added for new assets. However, this is offset with current year debt payments net of change in amortized premiums, debt proceeds on hand, and the advanced refunding (in Deferred Outflows of Resources) in the amount of \$6,108,888.
  - Restricted for Expendable Net Position increased by \$116,180 primarily as a result of an increase of \$190,080 in debt service funds offset by an \$86,895 decline in loan funds representing the reduction of the University's portion of the Perkins Loan fund after the required return of the program's excess cash to the Department of Education and the University. The remaining \$12,995 represents slight variances in Restricted Scholarships and non-exchange Restricted Grants.
  - And finally, the Unrestricted Net Position increased by \$1,216,391 overall. Exclusive of GASB 68 and 75 changes, the Unrestricted Net Position actually increased by \$2,117,890 in fiscal year 2020. (See additional explanation in Impact of GASB 68 and 75 that follows.) This increase was offset by a decrease of \$901,499 in the Unrestricted Net Position resulting from changes in the NPL and the NOL.

### **Impact of GASB 68 and 75**

The GASB 68 and 75 standards create *accounting* liabilities rather than legal liabilities. Although pursuant to accounting standards, the University must report its proportionate share of the pension and other postemployment benefit liabilities for the state's defined benefit retirement and other postemployment benefit plans, the University has no legal requirement to fund or pay out that share of the liabilities. The University is responsible only for making the contributions required by state law during any given year, and cannot pay down or pay off its proportionate shares because they are multiple employer cost-sharing plans. Internally, the University's management must continue to ensure that the University's financial position is sound. In fiscal year 2020, when excluding the GASB 68 and 75 impact, the University's Unrestricted Net Position actually increased by \$2,117,890 to a total of \$24,062,256. This increase was primarily a result of the sale of the Coke Building, as well as net savings recognized on vacant positions and operating expense reductions, particularly in the last quarter of the year. University's management invoked a hiring and budget freeze in response to the Governor of SC's closing of all public schools in the midst of the COVID-19 pandemic in March 2020. The closure of the University, including the residence halls, required the University to reduce student fees for unused portions of room, board, and parking. The fee reductions caused a \$3M decline in revenues in auxiliary services; however, the action taken to freeze budgets and hiring allowed the university to end the fiscal year with an increase to unrestricted net position.

Following is the University's net position with the GASB 68 and 75 impact reported discretely.

<b>NET POSITION</b>	<b>2020</b>	<b>2019</b>	<b>Increase/ (Decrease)</b>
Net Investment in Capital Assets	\$ 60,046,354	\$ 59,239,206	\$ 807,148
Restricted for Nonexpendable	499,628	499,628	0
Restricted for Expendable	2,478,208	2,362,028	116,180
Unrestricted (exclusive of GASB 68 and 75)	24,602,256	22,484,366	2,117,890
Unrestricted (GASB 68 and 75 portion)	(176,998,111)	(176,096,612)	(901,499)
<b>Total Net Position</b>	<b>\$ (89,371,665)</b>	<b>\$ (91,511,384)</b>	<b>\$ 2,139,719</b>

### **Statement of Revenues, Expenses and Changes in Net Position**

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of this statement is to present the revenues received by the University, both operating and nonoperating, the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the University. Operating revenues are those that are earned in exchange for goods or services provided while carrying out the mission of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are reported as nonoperating because they are provided by the legislature to the University without the legislature directly receiving commensurate goods and services for those revenues.

The Statement of Revenues, Expenses and Changes in Net Position is prepared on the accrual basis of accounting. Accrual accounting records the financial effects of transactions on an entity in the period in which those transactions occur rather than in the period in which cash is received or paid. Revenues are recognized when services or goods are provided. Expenses are recognized when resources are utilized in order to produce goods or services.

#### **YEAR ENDED JUNE 30, 2020**

	<b>2020</b>	<b>2019</b>	<b>Increase/ (Decrease)</b>
Operating Revenues	\$ 99,561,404	\$ 101,924,555	\$ (2,363,151)
Operating Expenses	133,239,483	132,478,900	760,583
Operating Loss	(33,678,079)	(30,554,345)	(3,123,734)
Nonoperating Revenues (Expenses)	35,532,317	31,671,196	3,861,121
Gain before Other Revenues, Expenses, Gains, or Losses	1,854,238	1,116,851	737,387
Other Revenues, Expenses, Gains, or Losses	285,481	429,103	(143,622)
Increase/(Decrease) in Net Position	<u>\$ 2,139,719</u>	<u>\$ 1,545,954</u>	<u>\$ 593,765</u>
Net Position – Beginning of Year	\$ (91,511,384)	\$ (93,057,338)	\$ 1,545,954
Cumulative Effect of Accounting and Reporting			
Entity Changes	0	0	0
Increase/(Decrease) in Net Position	2,139,719	1,545,954	593,765
Net Position – End of Year	<u>\$ (89,371,665)</u>	<u>\$ (91,511,384)</u>	<u>\$ 2,139,719</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase in net position for the year. Some highlights of the information presented on the Statement of Revenues, Expenses and Changes in Net Position are as follows:

- Operating Revenues decreased overall by \$2,363,151.
  - While overall Operating Revenues declined, net Student Tuition and Fees revenue increased by \$3,744,289. However, of this increase, actual gross Student Tuition and Fees increased by \$1,302,750, and the remainder of the net increase was attributable to a \$2,441,539 decline in the Scholarship Discounts and Allowances amount. This decline in the Discount and Allowances amount was attributable to the Spring semester student refunds, as well as a modest reduction in athletic and general scholarship offerings. An enrollment increase in the University's 100% online graduate programs resulted in the \$1.3M increase in gross Student Tuition and Fee revenues.
  - Grants and Contracts revenues declined by \$2,160,688. CERRA's state funded Rural Teacher Recruitment (RTR) grant recognized \$1.8M less in FY2020 revenues as compared to FY2019. There was also some decline in other grant revenues, including \$105K in Winthrop's Materials Science Education Grant.
  - Sales and Service of Educational Activities declined by \$801,139. This decline was almost exclusively a consequence of the University's closure in March in response to the COVID-19 pandemic. Revenues related to MacFeat fees, University events, West Center memberships and rentals, College of Visual and Performance Arts (CVPA) events, and Parking fees were negatively impacted by the cancellation of events and/or the return of fees.
  - Sales and Services Athletic Activities decreased by \$177,448 primarily in Big South distributions.
  - Operating revenues for Sales and Services of Auxiliary Enterprise Activities also decreased by \$2,742,356 resulting from the University's residence hall closure in March in response to the COVID-19 pandemic. Once the residence halls were closed, student fee reductions were calculated based on students' unused portions of residence hall and meal plan. Before the closure, housing revenues were slightly up from the previous year's revenues, but the student fee adjustments resulted in a reduction of \$1.8M in housing and \$1.1M in meal plan revenues.
  - Other Fees and Other Operating Revenues also declined by a total of \$225,809 in revenues received from grant administrative, student payment plan fees, and student application fees. The grant administrative fees declined as a result of pending grant memorandum of understanding renegotiations. The decline in application and student payment plan fees was realized as a result of the University offering application fee waivers and relaxing the payment plan late fee assessments during the Spring semester given the COVID related challenges faced by students and their parents.

- Operating Expenses increased overall by \$760,583.
  - Personnel Costs increased by only \$647,691 despite the recognition of \$1.5M in additional costs to cover a State Legislature authorized 2 percent general base pay increase (for university employees with base salaries of less than \$100,000) and a bonus plan for a \$600 one-time bonus (for employees making \$70,000 or less). In addition to these costs, the University also recognized a \$225K increase in the University's accrued vacation leave expenses. These additional costs for the state mandated pay plans and vacation accrual expenses were offset by just over \$1M in additional vacancy savings related to a decline in hiring, particularly in the last quarter of the year.
  - While Fringe Benefit expenses declined by \$903,443, actual fringe costs exclusive of GASB 68 & 75 increased by \$985K. While some of this increase related to the modest increase in personnel costs, the increase resulted primarily from the rate increases for retirement and health benefit premiums.
  - Within Operating Expenses, Services and Supplies declined by \$2,122,893. Expenses decreased in CERRA's Rural Teaching Recruitment Grant (\$1.8M). In addition, Services and Supplies expenses declined in auxiliary enterprises, primarily in dining (\$462K), which resulted from the March closure that reduced the meal plan costs paid to the food service vendor. These declines were offset by an increase in the newly awarded restricted grant expenses (\$167K). Although Services and Supplies expenses remained relatively level in the Educational and General funds, the payment to the Online Graduate program vendor increased by \$1.4M; however, this increase was offset by savings in other Services and Supplies expense lines.
  - Utility Costs declined by \$350,583 in FY20 as compared to FY19. Approximately one-third of those savings is attributable to the March closure since most residence halls were closed for the remainder of the fiscal year, and academic and administrative buildings were closed in whole or part for weeks. The remainder of the savings can be attributable to a reduction in the year's utility rates.
  - Scholarship and Fellowship expenses increased by \$4,026,291. Of that amount, \$2,456,050 represents the CARES Act Emergency Financial Aid Grants awarded students in the Spring semester for emergency assistance for costs related to the COVID-19 pandemic. The remaining increase correlates to the student refunds issued for the reduction of room, board, and parking fees upon the University's closure in March.
  - Depreciation Expenses declined by \$536,480. This decline occurred because the annual depreciation expense for assets fully depreciated was greater than the annual depreciation expenses for newly acquired assets.

- Nonoperating Revenues (Expenses) increased by a total of \$3,861,121.
  - State Appropriation revenues increased in total by \$2,805,090, of which \$1,958,372 was in additional recurring funds, \$362K in State Lottery Technology funding, \$163,539 for the Bonus Plan allocations, and the remainder in allocations related to the employer health insurance and retirement rate increases.
  - Federal Grants and Contracts increased by \$2,336,196. This increase was a result of the \$2,456,050 received for the CARES Act Student Emergency Grant funding offset by a slight decline in Pell Grant funding.
  - Gift revenues decreased by \$1,379,132 primarily in contributions from the Winthrop Foundation for named, athletic, and unrestricted scholarship awards (\$943K), and the Winthrop University Real Estate Foundation (\$563K). These declines were offset slightly by an increase in contributions to the equipment fund (\$146K) from the food service provider in accordance with the terms of the contract executed in August 2018.
  - Investment Income decreased by \$219,623 as a result of slightly lower earning rates with funds held and invested by the State Treasurer.
  - Interest Expense decreased by \$79,228 resulting from the pay down of debt with no new debt issued.
  - Other Nonoperating Revenues increased by \$237,210. With the sale of the Coke Building, the University recognized a gain on sale of \$530K. That gain was offset by the termination of the Campus Compact program in FY2019, as well as a reduction in other non-operating revenues in commissions related to the March closure.
- As a result of the changes in revenues and expenses, the University's overall Net Position increased by \$2,139,719 in fiscal year 2020.

### **Capital Asset and Debt Activity**

The University issued no new debt in fiscal year 2020. With no new issues, and the year's principal and interest payments, as well as the amortization of bond premiums, the University's Long-Term debt (including bond premium) was reduced by \$6.5M in 2020. The University currently has no plans to issue additional debt within the next fiscal year.

In fiscal year 2020, even given the effects of the COVID-19 pandemic, the University remained in full compliance with all debt covenants.

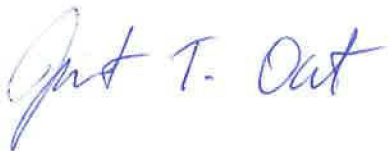
### Economic Outlook

As a public institution, the University's economic outlook is directly affected by the State of South Carolina's economic position. However, as of the date of this report, the State was operating under a continuing resolution of the FY2019-20 budget as the 2020-21 budget had not yet been passed. Therefore, the University awaits the legislature's passing of the 2020-21 Appropriations Bill to receive the year's recurring and non-recurring allocations.


Primarily driven by the impact of the COVID pandemic, Fall 2020 initial enrollment projections reflect a slight decline in undergraduate enrollment but an increase in graduate enrollment. In addition to the decline in revenues driven by enrollment, the University anticipates a reduction in room and board auxiliary revenues in FY2020-21. As a result of the University's fall semester response to COVID-19, Freshmen and Sophomore students normally required to live on campus were allowed to opt-out of living on campus. In addition, the number of weeks students will be allowed to live in the residence halls during the fall semester was reduced; the students will be required to move to 100% remote instruction during those weeks away from campus.

In order to offset the decline in tuition and auxiliary revenues, the University continues to control and monitor expenses in order to balance the FY2021 Budget. Based on known assumptions, the University reduced FY2021 non-compensation budgets 10%, implemented a FY2021 furlough plan, and continues to operate under a hiring freeze implemented at the end of FY2020. In addition, the University continues to seek out and apply for reimbursement opportunities (especially through the SC CARES and FEMA programs). The University still has \$2.6M in the CARES funding that was allocated in FY2020 to assist with COVID-response related items.

As the full impact of the pandemic is currently unknown, the University's Board of Trustees and management will continue to monitor economic factors and will adjust budget projections accordingly to ensure the University's overall financial position remains sound.



Justin T. Oates  
Vice President for Finance and Business Affairs



Amanda Maghsoud  
Associate Vice President for Finance



**WINTHROP UNIVERSITY**  
Statement of Net Position  
June 30, 2020

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 30,925,741
Accounts Receivable, Net	3,899,091
Inventories	359,354
Accrued Interest Receivable	107,855
Prepayments	1,400,781
Total Current Assets	<u>36,692,822</u>

**NONCURRENT ASSETS**

Cash and Cash Equivalents	
Restricted	11,625,306
Endowment	1,061,063
Accounts Receivable, Net	1,265,156
Perkins Loans Receivable, Net	1,451,690
Capital Assets, Net	91,555,695
Total Noncurrent Assets	<u>106,958,910</u>
Total Assets	<u>143,651,732</u>

**DEFERRED OUTFLOWS OF RESOURCES**

21,268,437

Total Assets and Deferred Outflows of Resources

164,920,169

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts Payable and Accrued Liabilities	13,785,136
Unearned Revenue	6,007,097
Current Portion of Long-Term Debt	5,620,197
Current Portion of Compensated Absences	1,706,846
Total Current Liabilities	<u>27,119,276</u>

**NONCURRENT LIABILITIES**

Compensated Absences	1,141,167
Perkins Loan Federal Liability	1,699,754
Bond Premium on Long-Term Debt	2,433,939
Long-Term Debt	24,915,871
Net Pension Liability	89,631,822
Net OPEB Liability	85,399,328
Total Noncurrent Liabilities	<u>205,221,881</u>
Total Liabilities	<u>232,341,157</u>

**DEFERRED INFLOWS OF RESOURCES**

21,950,677

Total Liabilities and Deferred Inflows of Resources

254,291,834

**NET POSITION**

Net Investment in Capital Assets	60,046,354
Restricted For:	
Nonexpendable:	
Scholarships and Fellowships	499,628
Expendable:	
Scholarships and Fellowships	354,680
Grants	434,872
Loans	192,187
Debt Service	1,496,469
Unrestricted	<u>(152,395,855)</u>
Total Net Position	<u>\$ (89,371,665)</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2020

**REVENUES**

**OPERATING REVENUES**

Student Tuition and Fees (of which \$257,752 of Revenues are Pledged for Athletic Facility Revenue Bonds Series 2001A5 and \$5,635,028 of Revenues are Pledged for General Obligation Bonds) (Net of Scholarship Discounts and Allowances of \$35,849,939)	\$ 49,462,372
Grants and Contracts	28,974,316
Sales and Services of Educational Activities	2,509,580
Sales and Services of Athletic Activities	2,069,480
Sales and Services of Auxiliary Enterprise Activities (of which \$3,819,245 of Auxiliary Revenues are Pledged under the Higher Education Bond Act)	14,817,207
Other Fees	1,291,930
Other Operating Revenues	436,519
Total Operating Revenues	<u>99,561,404</u>

**EXPENSES**

Personnel Costs	57,617,249
Fringe Benefits	23,188,248
Service and Supplies	32,504,993
Utilities	3,288,229
Scholarships and Fellowships	12,016,651
Depreciation	4,624,113
Total Operating Expenses	<u>133,239,483</u>
Operating Loss	<u>(33,678,079)</u>

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	20,450,916
Grants and Contracts	(433)
Federal Grants and Contracts	11,807,061
Gifts	1,783,835
Investment Income/(Loss)	1,277,971
Interest Expense	(988,408)
Other Nonoperating Revenues	1,201,375
Net Nonoperating Revenues	<u>35,532,317</u>
Gain Before Other Revenues, Expenses, Gains or Losses	1,854,238
Federal Capital Grants and Contracts	-
Capital Appropriations	285,481
Increase/(Decrease) in Net Position	<u>2,139,719</u>

**NET POSITION**

Net Position - Beginning of Year	<u>(91,511,384)</u>
Net Position - End of Year	<u>\$ (89,371,665)</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Cash Flows  
For the Year Ended June 30, 2020

**CASH FLOWS FROM OPERATING ACTIVITIES**

CASH RECEIVED FROM

Student Tuition and Fees (Net of Scholarship Discounts and Allowances)	\$ 50,397,549
Grants and Contracts	29,163,591
Sales and Services of Educational Activities	2,475,682
Sales and Services of Athletic Activities	1,888,086
Sales and Services of Auxiliary Enterprise Activities	14,817,207
Other Fees	1,291,931
Collection of Loans	(97,214)
Receipts of Funds Held for Others	(663,851)
Inflows from Federal Direct Lending Loans to Students	41,260,216
Other Receipts	436,519

CASH PAID FOR

Personnel Costs	(57,444,747)
Fringe Benefits	(22,194,414)
Service and Supplies	(30,823,174)
Utilities	(3,288,229)
Students	(12,069,606)
Loans to Students	-
Payments of Funds Held for Others	306,968
Outflows from Federal Direct Lending Loans to Students	(41,231,869)

Net Cash Used by Operating Activities	(25,775,355)
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**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	20,728,282
Gifts and Grants	1,783,402
Federal Grants and Contracts	11,671,266
Commissions	532,206
Other Sources	135,169
Principal Paid on Noncapital Debt and Lease	(5,075,000)
Proceeds from Debt	(825,895)

Net Cash Provided by Noncapital Financing Activities	28,949,430
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from Capital Debt	-
Capital Appropriations	210,865
Purchases of Capital Assets	(238,373)
Proceeds from Sale of Assets	1,450,000
Principal Paid on Capital Debt and Lease	(627,558)
Interest and Fees	(746,433)

Net Cash Used by Capital and Related Financing Activities	48,501
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Income	1,255,884
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Net Cash Provided by Investing Activities	1,255,884
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Net Change in Cash and Cash Equivalents	4,478,460
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Cash and Cash Equivalents - Beginning of Year	39,133,650
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Cash and Cash Equivalents - End of Year	\$ 43,612,110
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SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Cash Flows, Continued  
For the Year Ended June 30, 2020

**Reconciliation of Operating Loss to Net Cash  
Provided (Used) by Operating Activities:**

Operating Loss	\$ (33,678,079)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation Expense	4,624,113
Change in Assets and Liabilities:	
Accounts Receivable, Net	859,731
Inventories	-
Prepayments	134,959
Deferred Outflows of Resources	(2,455,898)
Accounts Payable and Accrued Liabilities	529,126
Accrued Salaries and Related Expenses	40,581
Unearned Revenue	588,458
Net Pension Liability	(3,772,323)
Net OPEB Liability	(110,463)
Deferred Inflows of Resources	7,240,180
Compensated Absences	224,260
	<hr/>
Net Cash Used by Operating Activities	<u><u>(25,775,355)</u></u>

**Reconciliation of Cash and Cash Equivalents to the Statement of Net Position**

Cash and Cash Equivalents Classified as Current	30,925,741
Cash and Cash Equivalents Classified as Noncurrent Restricted	11,625,306
Cash and Cash Equivalents Classified as Noncurrent Endowment	<hr/>
	1,061,063
	<hr/>
	43,612,110
	<hr/> <hr/>

**Non-Cash Transactions:**

Disposal of Capital Assets	(916,000)
Acquisition of Capital Assets Through Donations	-
	<hr/>
	\$ (916,000)
	<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**  
(With comparative information for December 31, 2018)

<b>Assets</b>	Net Assets	Net Assets	December 31	
	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Cash and Equivalents	\$ 583,695	-	583,695	888,994
Pledge Receivables	314,791	1,478,910	1,793,701	1,164,661
Less: Pledge Discounts	(16,329)	(76,096)	(92,425)	(108,382)
Less: Allowance for Doubtful Accts	(78,698)	(276,285)	(354,983)	(229,377)
Pooled Investments, at Fair Value	64,220,077	-	64,220,077	51,195,113
Split Interest Investments, at Fair Value	-	2,072,301	2,072,301	1,840,064
Due To/From Other Funds	(62,535,129)	62,535,129	-	-
Beneficial Interest in Perpetual Trust	-	-	-	675,986
Cash Value of Life Insurance	-	72,644	72,644	71,380
Property Held for Resale	-	480,000	480,000	565,000
Office Furniture and Equipment, at Cost	164,528	-	164,528	164,528
Less: Accumulated Depreciation	(164,528)	-	(164,528)	(164,528)
<b>Total Assets</b>	<b>2,488,407</b>	<b>66,286,603</b>	<b>68,775,010</b>	<b>56,063,439</b>
<b>Liabilities and Net Assets</b>				
Liabilities:				
Accounts Payable	158,258	79,066	237,324	72,425
Payroll Liabilities	18,394	-	18,394	9,948
Actuarial Liability of Annuities Payable	-	1,721,418	1,721,418	1,435,684
<b>Total Liabilities</b>	<b>176,652</b>	<b>1,800,484</b>	<b>1,977,136</b>	<b>1,518,057</b>
Net Assets:				
Without Donor Restrictions	2,311,755	-	2,311,755	133,997
With Donor Restrictions	-	64,486,119	64,486,119	54,411,385
<b>Total Net Assets</b>	<b>2,311,755</b>	<b>64,486,119</b>	<b>66,797,874</b>	<b>54,545,382</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,488,407</b>	<b>66,286,603</b>	<b>68,775,010</b>	<b>56,063,439</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
(With comparative information for the year ended December 31, 2018)

			December 31	
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2019 Total	2018 Total
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>				
Contributions	\$ 1,540,835	3,201,829	4,742,664	4,377,732
Provision for Doubtful Accounts	3,486	(129,092)	(125,606)	(78,120)
Provision for Pledge Discounts	14,439	1,518	15,957	(73,627)
Investment Earnings	1,027,664	10,783,801	11,811,465	(3,461,784)
Change in Value of Split-Interest Trusts	-	(345,192)	(345,192)	265,503
Change in Cash Surrender Value	-	1,264	1,264	(2,643)
Other revenue	-	32,356	32,356	-
Total	<u>2,586,424</u>	<u>13,546,484</u>	<u>16,132,908</u>	<u>1,027,061</u>
Net Assets Released From Restrictions	<u>2,746,833</u>	<u>(2,746,833)</u>	<u>-</u>	<u>-</u>
<b>TOTAL</b>	<u>5,333,257</u>	<u>10,799,651</u>	<u>16,132,908</u>	<u>1,027,061</u>
<b>EXPENSES</b>				
Management and General Operating:				
Salaries and Benefits	405,821	-	405,821	469,413
Directors' Expenses	2,504	-	2,504	2,803
Rent	11,224	-	11,224	11,269
Telephone	1,848	-	1,848	400
Office Supplies, Postage and Printing	6,628	-	6,628	11,277
Insurance	9,612	-	9,612	6,088
Professional Fees	14,357	-	14,357	16,337
Software	9,988	-	9,988	12,930
Property management fees and utilities	31,507	-	31,507	-
Travel and Entertainment	1,984	-	1,984	3,259
Credit Card Fees	12,463	-	12,463	10,849
Total Operating	<u>507,936</u>	<u>-</u>	<u>507,936</u>	<u>544,625</u>
Fund Raising:				
Development Salaries	131,867	-	131,867	123,986
Principal Gifts	-	-	-	20,332
Annual Fund	40,019	-	40,019	44,178
Donor Relations	16,991	-	16,991	9,444
Travel	33,861	-	33,861	19,794
Advancement	8,029	-	8,029	55,198
Total Fund Raising	<u>230,767</u>	<u>-</u>	<u>230,767</u>	<u>272,932</u>
Program - Grants to Winthrop University:				
General Scholarships	140,000	-	140,000	250,994
Restricted Scholarships, Grants and Annuities	2,746,833	-	2,746,833	2,026,575
Alumni Association	29,570	-	29,570	29,570
President and Vice President's Discretionary	50,030	-	50,030	-
President's Salary Supplement	175,280	-	175,280	175,280
Total Grants to Winthrop University	<u>3,141,713</u>	<u>-</u>	<u>3,141,713</u>	<u>2,482,419</u>
<b>TOTAL</b>	<u>3,880,416</u>	<u>-</u>	<u>3,880,416</u>	<u>3,299,976</u>
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>	1,452,841	10,799,651	12,252,492	(2,272,915)
Transfers				
Management Fee	<u>724,917</u>	<u>(724,917)</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS, BEGINNING</b>	<u>133,997</u>	<u>54,411,385</u>	<u>54,545,382</u>	<u>56,818,297</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 2,311,755</u>	<u>64,486,119</u>	<u>66,797,874</u>	<u>54,545,382</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT**  
**WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 1,073,938	-	1,073,938
Trustee cash reserved for operations	760,671	-	760,671
Accounts receivable	15,500	-	15,500
Mortgage note receivable	-	-	-
Prepaid expenses	14,553	-	14,553
Total current assets	1,864,662	-	1,864,662
Noncurrent assets:			
Bond closing costs, net	104,399	-	104,399
Trustee cash reserved for debt service	1,050,145	-	1,050,145
Trustee cash reserved for repairs	1,229,981	-	1,229,981
Trustee cash reserved for operating contingencies	214,401	-	214,401
Property and equipment, net	11,110,196	-	11,110,196
Real estate gifts	-	-	-
Other Assets	-	-	-
Total noncurrent assets	13,709,122	-	13,709,122
Total assets	15,573,784	-	15,573,784
<b><u>Liabilities and Net Assets</u></b>			
Current liabilities:			
Accounts payable	536,314	-	536,314
Current portion of long-term debt	645,000	-	645,000
Total current liabilities	1,181,314	-	1,181,314
Noncurrent liabilities:			
Long-term debt	12,550,000	-	12,550,000
Notes payable	-	-	-
Total noncurrent liabilities	12,550,000	-	12,550,000
Total liabilities	13,731,314	-	13,731,314
Net Assets:			
Without donor restrictions			
Designated by the Board of Directors	511,285	-	511,285
Undesignated	1,331,185	-	1,331,185
With donor restrictions			
Purpose restricted	-	-	-
Total net assets	1,842,470	-	1,842,470
Total liabilities and net assets	\$ 15,573,784	-	15,573,784

The accompanying notes are an integral part of these financial statements.

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT**  
**WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Program revenues	\$ 3,875,670	-	3,875,670
Real estate gifts	-	-	-
Income from real estate gifts, net	21	(3,880)	(3,859)
Interest on mortgage note receivable	-	-	-
Other income	-	-	-
Net assets released from restrictions			
Satisfaction of program restrictions	855,130	(855,130)	-
Total revenues, gains, and other support	4,730,821	(859,010)	3,871,811
Expenses and losses:			
Program services	3,803,236	-	3,803,236
Management and general	32,701	-	32,701
Mission gifts to related parties	563,475	-	563,475
Total expenses and losses	4,399,412	-	4,399,412
Change in net assets	331,409	(859,010)	(527,601)
Net assets, December 31, 2018	1,511,061	859,010	2,370,071
Net assets, December 31, 2019	<u>\$ 1,842,470</u>	<u>-</u>	<u>1,842,470</u>

The accompanying notes are an integral part of these financial statements.



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements  
June 30, 2020

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations:** Winthrop University (the "University") is a State-supported, coeducational institution of higher education. Winthrop's primary mission is to provide personalized and challenging undergraduate, graduate and continuing professional education programs of national caliber within a context dedicated to public service to the State of South Carolina. All eligible bachelor, master and specialist degrees in the liberal arts and sciences, education, business and the visual and performing arts are nationally accredited.

**Reporting Entity:** Historically, the University has been treated as a part of the primary government of the State of South Carolina, and its funds were previously reported in the state's higher education enterprise funds in the Comprehensive Annual Financial Report of the State of South Carolina. During fiscal year 2012-13, the State of South Carolina implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* an amendment of GASB Statements No. 14 and No. 34. As a result of this implementation, the University is now reported as a discretely presented component unit on the State of South Carolina's Comprehensive Annual Financial Report. Discrete presentation entails reporting component unit financial data in one or more columns separate from the financial data of the primary government instead of blending the University's financial information into the State's financial information.

The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. The University has determined that the financial reporting entity consists of the primary government, Winthrop University, as well as its' component units, The Winthrop University Foundation (the Foundation) and Winthrop University Real Estate Foundation, Inc. (WUREF, Inc.).

The Foundation, a legally separate component unit of Winthrop University, is an independent not-for-profit tax exempt public charity incorporated under the laws of South Carolina on November 8, 1973, and organized to foster, cooperate, and assist in the growth, development, and advancement of the University. The Foundation is governed by an independent Board of Directors, and is exclusively a charitable and educational corporation within the meaning of section 501(c) (3) of the IRS Code of 1954. In March 2018, the Foundation formed a wholly owned subsidiary, The Winthrop University Foundation Land and Real Estate Subsidiary, LLC (LLC). The purpose of the LLC is to hold donated real estate held for the benefit of the Foundation. It is the Foundation's intent to liquidate held assets and transfer proceeds to the Foundation. Due to the common control, the Foundation's consolidated financial statements include the activities of both entities. All significant inter-company accounts and transactions have been eliminated. The concept of consolidation for financial statement purposes ignores the legal concept of separate entities.

Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University.

The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. Effective July 1, 2003, the Foundation changed its financial year-end from June 30 to December 31. Therefore, the accompanying statement of activities is for the year ended December 31, 2019. Complete financial statements for the Foundation can be obtained by calling 803-323-2229.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Reporting Entity**, Continued

WUREF, Inc., also a legally separate component unit of Winthrop University, is a nonprofit corporation organized under the laws of the State of South Carolina in August 1999. WUREF, Inc. was formed for the benefit of the University and their stated purpose is to encourage gifts of real estate and to develop, own, manage, lease and sell real property for the University.

In fulfilling this purpose, WUREF, Inc. has formed two separate, wholly owned subsidiaries. In December 2001, WUREF Development, LLC (WUREF, LLC) was created in order to construct a new student housing opportunity for the University. The Courtyard at Winthrop (The Courtyard), a 406-bed, townhouse-style housing facility was completed and opened for occupancy in January 2003. WUREF, LLC's charge is to ensure the continued viability of The Courtyard through maximum occupancy percentages and fiscal responsibility.

In November 2003, WUREF, Inc. also formed Winthrop Real Estate, LLC (WRE, LLC). WRE, LLC was created in order to develop, own, manage, lease and sell real property for the University.

All financial activities of the two separate organizations have been consolidated in the financial statements of WUREF, Inc.

The majority of resources, or income thereon, that WUREF, Inc. holds and invests are restricted to the activities of the University. Because these restricted resources held by WUREF, Inc. can only be used by, or for the benefit of, the University, WUREF, Inc. is considered a component unit of the University.

WUREF, Inc. is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. WUREF, Inc. previously maintained a June 30 accounting year-end. On October 21, 2003, the board of directors elected to revise its fiscal year end to December 31. Therefore, the accompanying statement of activities is for the year ended December 31, 2019. Complete financial statements for WUREF, Inc. can be obtained by calling 803-323-2205.

The Foundation and WUREF, Inc. report their financial results in accordance with Financial Accounting Standard Board (FASB) Statements. Most significant to their operations and reporting models are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit-Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to either the Foundation or WUREF, Inc.'s financial information in the University's financial reporting entity for these differences, however significant note disclosures (See Note 19) to the Foundation and WUREF Inc.'s financial statements have been incorporated into the University's Notes to the Financial Statements.

**Basis of Presentation:** Effective July 1, 2001, the financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also meets the requirements of GASB Statements 36, 37, and 38 that were issued to amend Statements 34 and 35. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's net assets, revenues, expenses and changes in net assets and cash flows that replaces the fund-group perspective previously required.

For 2013, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the University's 2013 financial statements; however, there was no effect on beginning net position.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Basis of Presentation:** Continued

Effective for the fiscal year ending June 30, 2014, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 identifies deferred outflows of resources and deferred inflows of resources for certain items previously reported as assets and liabilities. Adoption of this statement resulted in no material impact to the University.

Effective for the fiscal year ending June 30, 2015, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27*. The University reports its proportionate share of the State of South Carolina's net pension liability (See Note 10).

Effective for the fiscal year ending June 30, 2018, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The University reports its proportionate share of the State of South Carolina's net Other Post Employment Benefits (OPEB) liability (See Note 11).

**Basis of Accounting:** For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship and fellowship expenses. All significant intra-institutional transactions have been eliminated.

The University has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

**Accounts Receivable:** Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students. Accounts receivable also include amounts due from the Federal government, State and Local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The Perkins Loan Receivable is presented entirely as noncurrent (see Note 3).

**Inventories:** Inventories are carried at cost determined by using the first in first out method for all inventories except Printing Services whose inventory is based on "last price paid" and the Health Center inventory of pharmaceutical drugs and miscellaneous items which is based on last in first out.

**Prepayments:** Prepayments arise when the University pays for goods or services in advance. Such transactions typically occur for insurance and travel. The policy is to record as a prepayment any transaction over \$1,000 for which payment had been made prior to June 30, 2020 but for which the goods or services would not be received until after July 1, 2020.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Capital Assets:** Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The University has selected a useful life of 25 to 50 years for buildings, renovations and land improvements. The useful life for machinery, equipment and vehicles varies between 2 and 25 years depending on the asset. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition. Effective July 1, 2011, all new purchases of capital assets are depreciated based on the prorated number of days in service in the year acquired. In the year the asset is disposed, depreciation is calculated for the prorated number of days in service until the asset is removed from service.

Interest cost incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed net of interest earned on the invested proceeds over the same period.

**Deferred Outflows of Resources and Deferred Inflows of Resources:** Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined these elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively.

Deferred outflows of resources includes the deferred amount on a bond refunding which is being recognized as a component of interest expense in a systematic manner over the life of the debt. Deferred inflows of resources represents resources received on voluntary nonexchange transactions relating to a future period.

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. See Note 10 for further details.

Changes in net OPEB liability not included in OPEB expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net OPEB liability are reported as deferred outflows of resources. See Note 11 for further details.

**Unearned Revenues:** Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but relate to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Other types of unearned revenues represent admissions prepayments and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

**Compensated Absences:** Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statement of Net Position, and as a component of personnel costs in the Statement of Revenues, Expenses and Changes in Net Position.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Net Position:** The University's net position is classified as follows:

*Net investment in capital assets:* This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

*Restricted net position - nonexpendable:* Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Restricted net position - expendable:* Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

*Unrestricted net position:* Unrestricted net position represents resources derived from student tuition and fees, appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The University's policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

**Classification of Revenues:** The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenues:* Operating revenues generally result from exchange transactions to provide goods or services related to the University's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, housing, health services and other related services to students; (2) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; and (3) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake. Certain indentures require the University to pledge various revenues to meet debt payments. The University has disclosed those revenues pledged on the face of the Statement of Revenues, Expenses and Changes in Net Position.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, interest income and any grants and contracts that are not classified as operating revenues or restricted by the grantor to be used exclusively for capital purposes.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Scholarship Discounts and Allowances:** Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

**Sales and Services of Educational Activities:** Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research and public service activities that incidentally create goods and services which may be sold to students, faculty, staff and the general public. The University receives such revenues primarily from public service activities.

**Sales and Services of Athletic Activities:** Revenues from sales and services of athletic activities generally consist of amounts received from athletic event ticket sales, advertising sales and participatory fees received from opposing teams.

**Sales and Services of Auxiliary Enterprises Activities:** Auxiliary enterprise revenues primarily represent revenues generated by housing, cafeterias, health services, vending and bookstore. Internal services of auxiliary enterprise activities and the related expenditures of University departments have been eliminated.

**Use of Estimates in Accounting:** The University has used estimates in certain situations to enable it to properly prepare the financial statements. Estimates are used to determine the useful life of long-lived assets such as buildings and equipment. The University has used estimates as provided by the South Carolina Comptroller General's Office in developing the estimates of useful lives. In addition, the University has estimated the percentage of accounts receivable that may not be collected, typically known as the allowance for doubtful accounts. The University uses an aging analysis to estimate this allowance - the longer the accounts receivable has gone unpaid, the greater the possibility the amount will not be collected.

**Income Taxes:** Winthrop University, as a political subdivision of the State of South Carolina, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

**Component Units:** See Note 19.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**

All deposits of the University are under the control of the State Treasurer, who by State law, has sole authority for investing State funds.

The following schedule reconciles deposits to the Statement of Net Position amounts:

STATEMENT OF NET POSITION:	
Cash and Cash Equivalents - Current	\$ 30,925,741
Cash and Cash Equivalents - Restricted	
Debt Service	1,992,184
Capital Project	3,512,649
Student Loan	5,470,343
Grants and Contracts	650,130
Other	-
Cash and Cash Equivalents - Endowment	1,061,063
Total	<u>43,612,110</u>
DEPOSITS:	
Cash on Hand	503,855
Deposits Held by State Treasurer	43,108,255
Other Deposits	-
Total	<u>\$ 43,612,110</u>

Perkins Loan Program Cash

At June 30, 2020, Winthrop University had approximately \$398,000 in an account with a Financial Institution for exclusive use by the Perkins Loan Program. Approximately \$148,000 of these funds is not collateralized.

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2020, Winthrop University had \$43,108,255 in Deposits Held by State Treasurer. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Concentration of Credit Risk and Market Risk - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

The Foundation's concentration of potential credit and market risk lies primarily with its investments. This exposure is limited by the Foundation's investment objectives and policies that require the investment portfolio be adequately diversified among types, issuers, industries and geographic regions and utilizes multiple investment managers. The Foundation also had a concentration of cash in one bank account that exceeded the FDIC insurance limits by \$328,535 at December 31, 2019. These deposits were in a high credit quality institution.

Concentration of Credit Risk - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

WUREF, Inc. maintains bank accounts at various banks. The Federal Deposit Insurance Corporation (FDIC) insures accounts at an individual institution up to \$250,000. The amounts on deposit at each bank, at times during the year, may have exceeded the federally insured limit. The amount on deposit in excess of the federally insured limit at December 31, 2019 was \$4,026,529.

Cash and Cash Equivalents - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

The Foundation considers all interest-bearing money market accounts and short-term investments with an initial maturity of three months or less at the date of purchase to be cash equivalents. The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation provides coverage for certain qualifying and participating non-interest bearing transaction accounts up to an aggregate of \$250,000 per taxpayer.

As of December 31, 2019, cash balances exceeded the FDIC insurance limits by \$328,535.

Cash and Cash Equivalents - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Cash and cash equivalents at December 31, 2019 were as follows:

Unrestricted	\$	1,073,938
Restricted		-
	\$	<u>1,073,938</u>

The restricted cash must be transferred to The Winthrop University Foundation (a related party) when the related real estate gifts are sold in the future.



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Trustee Cash - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Trustee cash is monies on deposit within WUREF, LLC. These funds relate to the issuance of bonds for the purposes of The Courtyard. The funds were obtained either from the proceeds of the issuance of the bonds, or were allocated from operations to the reserve accounts in compliance with covenants agreed upon in the bond issuance. The trustee cash accounts at December 31, 2019 are as follows:

Trustee cash reserved for operations	\$ 760,671
Trustee cash reserved for debt service	1,050,145
Trustee cash reserved for repairs	1,229,981
Trustee cash reserved for operating contingencies	<u>214,401</u>
	<u><u>\$ 3,255,198</u></u>

Availability of Assets - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$ 1,073,938
Trustee cash reserved for operations	760,671
Accounts receivable	15,500
Mortgage note receivable	<u>-</u>
	<u><u>\$ 1,850,109</u></u>

Liquidity Management - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

The Winthrop University Foundation's financial assets available within one year of the balance sheet date for unrestricted expenditures are as follows:

Cash and Equivalents	\$ 583,695
Contributions receivable, current	638,900
Less: Donor restrictions for certain purposes	<u>(419,136)</u>
Financial assets available within one year	<u><u>\$ 803,459</u></u>

The Foundation strives to maintain cash and short-term investment balances on hand to meet 60 days of ordinary business expenses. The cash balance at year end was high in preparation for large scholarship invoices typically occurring in the first quarter of each calendar year. These invoices average \$500,000 per quarter in addition to operating expenses of approximately \$211,000 for each 60 day period. The Foundation's Investment Policy Statement requires at least 75% of the portfolio to be allocated to liquid investments with conversion to cash of no more than three days.

The Foundation's Board approved a policy for maintaining a reserve for unrestricted net assets. At year-end, the reserve account had a balance of \$682,346 which was derived from market earnings on non-endowed funds. The Foundation does not maintain a line of credit.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Investments - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

2019 marked three full years of assets invested with Vanguard. The investment portfolio includes all net assets with donor restrictions. Pooling these assets serves to maximize the earning potential of the funds.

Vanguard Long-Term Investment Grade Admiral Shares of Domestic Fixed Income were in a net unrealized loss position at year-end with unrealized net losses of (\$45,376). These assets comprise 2.89% of the total portfolio allocation.

Investments, excluding cash equivalents, at December 31, 2019 are summarized as follows:

	<u>Vanguard</u>
US Equity Index Funds	25,740,527
Non-US Equity Index Funds	17,140,083
US Fixed Income Index Funds	13,539,967
Non-US Fixed Income Index Funds	4,770,549
REIT Index Funds	<u>3,028,951</u>
Total Investments	<u>\$ 64,220,077</u>

Fair Value Measurements - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

The Foundation is required to present its financial instruments using a framework that measures fair value under accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. This statement requires fair value measurements to be classified and disclosed in one of the following three categories (Fair Value Hierarchy):

- Level 1 Financial instruments with unadjusted, quoted prices listed on active market exchanges.
- Level 2 Financial instruments valued using inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Fair Value Measurements - Non Governmental Discretely Presented Component Unit, Continued

***The Winthrop University Foundation***, Continued

The Foundation's investments measured at fair value at December 31, 2019 were all considered Level 1. The following is a description of the valuation methodologies used for the Foundation's assets measured at fair value at December 31, 2019:

***EFTs, Mutual Funds, US and Non-US Equity Funds, US and Non-US Fixed Income Funds:***

Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded (Level 1).

***Equities:*** Valued at the closing price reported on the active market on which the individual Securities are traded (Level 1).

***REIT Index Funds:*** Shares in real estate investment trusts are actively traded and are reflected at the daily closing price (Level 1).

Management of Underwater Funds - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

It is the Foundation's policy to distribute annually up to four percent of the trailing five-year average of the endowment's total asset value, with the understanding that this spending rate plus inflation will not normally exceed total return on investment. However, it is understood that this total return basis for calculating spending is sanctioned by the Uniform Prudent Management of Institutional Funds Act (UPMIFA), under which guidelines the Foundation is permitted to invade the corpus to the extent that the value of the corpus exceeds 85% of the original gift value, with the stipulation that donors must agree to the invasion of their corpus. In practice, invading the corpus for any amount below 100% of corpus is only done in very rare circumstances where withholding funds might prevent a student from returning to Winthrop. The Investment Committee monitors policies of peer institutions as well as industry best practices. The spending policy and investment policy statement are reviewed on an annual basis.

Additionally, the Foundation Board has implemented reductions to the endowment management fee over a four year span to preserve endowment corpus. The Foundation's endowment management fee for 2018 was 1.75%, reduced to 1.5% in 2019 to align with the industry average. Investment advisory fees have also been substantially reduced since moving all investments to Vanguard in 2016.

At year end, 1.17% of the Foundation's endowments were underwater, compared to 48.5% in 2018. The decline in underwater funds is attributed to market gains of 22.34% in 2019. The fair value of underwater funds was \$1,183,765, compared to their original corpus value of \$1,220,672. The resulting aggregate amount of underwater deficiency was (\$36,907).

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2020, are summarized as follows:

State Appropriations	\$ 277,366
Student Accounts	4,229,276
Less Allowance for Doubtful Accounts	(1,400,083)
Student Loans Receivable - Federal Perkins	1,451,690
Less Allowance for Doubtful Accounts	-
Federal Grants and Contracts	520,648
State Grants and Contracts	156,930
Local Grants and Contracts	31,213
Foundations	843,790
Capital Reserve Funds	74,608
Capital Improvement Bond Funds	141
Other	430,358
Total Accounts Receivable, Net of Allowance	<u>6,615,937</u>
Less: Noncurrent Perkins Loan Receivable (See Note 4)	(1,451,690)
Less: Noncurrent Student Accounts Receivable, Net of Allowance for Doubtful Accounts	<u>(1,265,156)</u>
Accounts Receivable, Net - Current	<u><u>\$ 3,899,091</u></u>

The State appropriations receivable represents monies due from the State General Fund for applicable University personnel services and employer contribution expenditures accrued at June 30 but paid in July from 2020-2021 appropriations. State law provides for such payroll costs to be paid from next year's appropriations.

Allowances for doubtful accounts for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2020, the allowance for uncollectible student accounts is valued at \$1,400,083.

The capital reserve and capital improvement bond funds receivables represent funds held by the State Treasurer that have been expended but not drawn.

**Pledges Receivable - Non Governmental Discretely Presented Component Unit**

***The Winthrop University Foundation***

Pledges receivable consist of unconditional promises to give. Management has reviewed its receivables and determined an allowance for doubtful accounts based on historical knowledge of the accounts and current economic conditions. The discount for present value is computed using discount rates ranging from 2.67 to 3.07 percent. Pledges are expected to be collected as follows:

2020	\$ 638,900
2021	472,457
2022	381,852
2023	226,980
2024	56,112
2025 and future years	<u>17,400</u>
Total Pledges Receivable	1,793,701
Deduct:	
Allowance for doubtful accounts	(354,983)
Present value discount	<u>(92,425)</u>
Net Pledges Receivable	<u><u>\$ 1,346,293</u></u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 3 – ACCOUNTS RECEIVABLE,** Continued

Mortgage Note Receivable - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

On December 20, 2013, WUREF, Inc. entered into a mortgage note agreement of \$115,000 with a real estate company with an average interest rate of 5.00 percent. The note resulted from the sale of a gift of real estate. In January 2019, the borrower paid the final payment and WUREF, Inc. subsequently transferred net proceeds of \$137,204 to The Winthrop University Foundation.

**NOTE 4 - PERKINS LOANS RECEIVABLE AND FEDERAL LIABILITY**

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2020. The entire receivable balance, as well as cash on hand associated with the program, is classified as Noncurrent Restricted Assets. The Perkins Loan Program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the U.S. Department of Education. At June 30, 2020, the allowance for uncollectible student loans is valued at \$0 because the U.S. Department of Education has the ultimate responsibility for collecting the loan.

The U.S. Congress began discussions regarding the reauthorization of Title 20 USC Sec 1087ff dealing with the Perkins Loan Program. The funds contributed by the Federal Government are refundable in the event the University decides to no longer participate in the program. In February 2020, the Perkins Loan Program repaid \$501,534 of excess cash to the U. S. Department of Education. In February 2020, the Perkins Loan Program also repaid \$64,680 of excess cash to the University and reimbursed the University \$24,473 for service cancellations. As of June 30, 2020, the University has recorded a long-term liability in the amount of \$1,699,754, representing the Federal portion of the loan program.

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 is summarized as follows:

	Beginning Balance July 1, 2019	Increases	Decreases	Ending Balance June 30, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 5,539,853	-	(850,000)	4,689,853
Construction in Progress	-	-	-	-
Collections	198,631	-	-	198,631
Total Capital Assets Not Being Depreciated	5,738,484	-	(850,000)	4,888,484
Other Capital Assets:				
Buildings and Improvements	185,017,978	-	(100,000)	184,917,978
Machinery, Equipment and Other	18,560,498	226,249	(39,889)	18,746,858
Vehicles	347,635	12,124	-	359,759
Total Other Capital Assets at Historical Cost	203,926,111	238,373	(139,889)	204,024,595
Less Accumulated Depreciation For:				
Buildings and Improvements	(99,670,199)	(3,604,467)	34,000	(103,240,666)
Machinery, Equipment and Other	(12,852,676)	(1,007,952)	39,889	(13,820,739)
Vehicles	(284,285)	(11,694)	-	(295,979)
Total Accumulated Depreciation	(112,807,160)	(4,624,113)	73,889	(117,357,384)
Capital Assets, Net	\$ 96,857,435	(4,385,740)	(916,000)	91,555,695

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 5 - CAPITAL ASSETS**, Continued

Net Investment in capital assets of \$60,046,354 as of June 30, 2020 is determined as follows:

Capital Assets, Net	\$ 91,555,695
Less Debt:	
Current Portion of Long-Term Debt	(5,620,197)
Long-Term Debt	(24,915,871)
Bond Premium on Long-Term Debt	(2,433,939)
Advanced Refunding	1,298,245
Plus Note Payable/Non Capital	-
Plus Unspent Bond Proceeds	162,421
Total Invested in Capital Assets, Net of Related Debt	<u><u>\$ 60,046,354</u></u>

On May 28, 2018, Winthrop University entered into a formal contract with a local development company to sell the Coke Bottling Plant located at the intersection of Cherry Road and College Avenue, Rock Hill SC. On January 31, 2020, the University sold the property to the local development company for \$1,450,000, which was the last appraised value of the property. For the year ended June 30, 2020, the University recognized a gain on sale of \$530,249 in Other Nonoperating Revenues on the Statement of Revenues, Expenses and Changes in Net Position.

Equipment - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

A summary of equipment at December 31, 2019 follows:

Equipment	\$ 164,528
Less Accumulated Depreciation	<u>(164,528)</u>
Net Fixed Assets	<u><u>\$ -</u></u>

No depreciation expense was recorded for the year ended December 31, 2019.

Property and Equipment - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Account balances as of December 31, 2019 are as follows:

Land	\$ 500,000
Buildings	15,989,063
Furniture and Fixtures	680,414
Machinery and Equipment	<u>101,340</u>
	17,270,817
Less: Accumulated Depreciation	<u>(6,160,621)</u>
	<u><u>\$ 11,110,196</u></u>

Depreciation charged to expense during 2019 was \$327,049. This is a non-cash expense.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 6 – DEFERRED OUTFLOWS OF RESOURCES**

As of June 30, 2020, deferred outflows of resources related to pension plans is \$10,130,709 (see Note 10). As of June 30, 2020, the University has deferred outflows of resources related to postemployment benefits other than pensions (OPEB) of \$9,831,983 (see Note 11).

On May 1, 2012, the University issued General Obligation Bonds to refund outstanding General Obligation Bonds (see Note 8). These current refundings and advanced refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,035,984. As of June 30, 2020, the University has \$103,599 remaining on this deferred amount on bond refundings which is being recognized as a component of interest expense on an annual basis over the life of the new bond.

On March 1, 2016, the University issued General Obligation Bonds to refund outstanding General Obligation Bonds (see Note 8). This advanced refunding resulted in a net deferred advance refunding of \$1,759,850. As of June 30, 2020, the University has \$1,030,900 remaining on this which is being recognized as a component of interest expense on an annual basis over the remaining life of the old bond or the life of the new bond, whichever is shorter.

On June 1, 2016, the University issued Higher Education Facility Revenue Bonds Series 2016A and 2016B to refund outstanding Higher Education Facility Revenue Bonds (see Note 8). These advanced refundings resulted in a net deferred advance refunding of \$436,655. As of June 30, 2020, the University has \$163,746 remaining on these which is being recognized as a component of interest expense on an annual basis over the remaining life of the old bond or the life of the new bond, whichever is shorter.

The remaining balance in deferred outflows of resources represents a deposit the University paid on a five year contract to an external vendor. At the end of the contract period, the vendor will return this deposit to the University.

**NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts Payable and Accrued Liabilities as of June 30, 2020, are summarized as follows:

CURRENT	
Accrued Payroll and Related Liabilities	\$ 5,987,481
Trade Payables	2,074,999
Accrued Interest Payable	342,792
Funds Held in Trust	5,044,106
Student Deposits and Prepayments	331,270
Construction Contract Retainage	2,388
Other Accrued Liabilities	2,100
Total Accounts Payable	<u>\$ 13,785,136</u>

**Accounts Payable - Non Governmental Discretely Presented Component Unit**

***Winthrop University Real Estate Foundation, Inc.***

At December 31, 2019, accounts payable primarily consisted of \$497,722 in funds owed to Winthrop University (a related party) in connection with amounts due to them for management of The Courtyard.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 8 - LONG-TERM DEBT**

Long-term debt for the year ended June 30, 2020 is as follows:

	June 30, 2019	Additions	Reductions	June 30, 2020	Due Within One Year
Bonds, Notes and Capital Leases					
General Obligation Bonds	\$ 27,965,000	-	(3,685,000)	24,280,000	3,885,000
Unamortized Premium	3,259,834	-	(825,895)	2,433,939	-
Athletic Facilities Bond	240,000	-	(120,000)	120,000	120,000
Higher Education Facilities Bond	5,740,000	-	(1,270,000)	4,470,000	1,280,000
Notes Payable	61,505	-	(7,294)	54,211	7,403
Master Lease Program					
Notes Payable	2,044,049	-	(572,122)	1,471,927	276,508
Capital Lease Obligations (See Note 9)	188,072		(48,142)	139,930	51,286
Total Bonds, Notes and Capital Leases	39,498,460	-	(6,528,453)	32,970,007	5,620,197
Other Liabilities					
Accrued Compensated Absences	2,623,753	1,931,106	(1,706,846)	2,848,013	1,706,846
Perkins Loan Federal Liability	2,180,973	(481,219)		1,699,754	-
Total Other Liabilities	4,804,726	1,449,887	(1,706,846)	4,547,767	1,706,846
Total Long-Term Liabilities	\$ 44,303,186	1,449,887	(8,235,299)	37,517,774	7,327,043

**Bonds Payable**

Bonds payable consisted of the following at June 30, 2020:

	Rates	Dates	Balance
General Obligation Bonds			
Series 2012D	4.0% to 5.0%	04/01/2022	\$ 3,640,000
Series 2012E	2.5% to 5.0%	04/01/2024	890,000
Series 2013A	3.0% to 5.0%	10/01/2025	1,715,000
Series 2016B	5.00%	04/01/2029	18,035,000
Total General Obligation Bonds			24,280,000
Athletic Facilities			
Revenue Bonds Series 2001A5	4.59%	10/01/2020	120,000
Higher Education Facilities			
Revenue Bonds Series 2016A	1.92%	04/01/2024	3,750,000
Revenue Bonds Series 2016B	2.92%	04/01/2024	720,000
Total Higher Education Facilities			4,470,000
Total Bonds Payable			\$ 28,870,000

General Obligation Bonds are backed by the full faith, credit and taxing power of the State of South Carolina. Tuition revenue is pledged up to the amount of annual debt requirements for the payment of principal and interest on General Obligation Bonds. The legal debt margin for General Obligation Bonds is that the maximum amount of annual debt service shall not exceed ninety percent of tuition for the preceding fiscal year. Tuition bond fees for the preceding year 2019 were \$5,330,563, which results in a legal annual debt service at June 30, 2020 of \$4,797,506.

The Athletic Facilities Revenue Bond covenants require the University to pledge revenues from a special student fee imposed upon students as part of the cost of attending the University and a special admissions fee on all paid admissions to athletic facilities. The Auxiliary Facilities Revenue Bond covenants require the University to pledge the revenues of the bookstore for payment of principal and interest. The Higher Education Facilities Bond covenants require the University to pledge the net revenues from housing facilities for payment of principal and interest.



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 8 - LONG-TERM DEBT**, Continued

Bonds Payable, Continued

The scheduled maturities of the bonds payable by type are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
General Obligation Bonds				
2012D	2021	1,905,000	182,000	2,087,000
	2022	1,735,000	86,750	1,821,750
	2023	-	-	-
	2024	-	-	-
	2025	-	-	-
	2026-2030	-	-	-
	2031-2035	-	-	-
	2036-2040	-	-	-
Total Series 2012D Bonds		<u>\$ 3,640,000</u>	<u>268,750</u>	<u>3,908,750</u>
2012E	2021	205,000	34,025	239,025
	2022	220,000	23,775	243,775
	2023	230,000	12,775	242,775
	2024	235,000	5,875	240,875
	2025	-	-	-
	2026-2030	-	-	-
	2031-2035	-	-	-
	2036-2040	-	-	-
Total Series 2012E Bonds		<u>\$ 890,000</u>	<u>76,450</u>	<u>966,450</u>
2013A	2021	255,000	68,750	323,750
	2022	265,000	57,025	322,025
	2023	280,000	43,400	323,400
	2024	295,000	29,025	324,025
	2025	305,000	15,550	320,550
	2026-2030	315,000	4,725	319,725
	2031-2035	-	-	-
	2036-2040	-	-	-
Total Series 2013A Bonds		<u>\$ 1,715,000</u>	<u>218,475</u>	<u>1,933,475</u>
2016B	2021	1,520,000	901,750	2,421,750
	2022	1,595,000	825,750	2,420,750
	2023	2,795,000	746,000	3,541,000
	2024	2,945,000	606,250	3,551,250
	2025	3,105,000	459,000	3,564,000
	2026-2030	6,075,000	667,250	6,742,250
	2031-2035	-	-	-
	2036-2040	-	-	-
Total Series 2016B Bonds		<u>\$ 18,035,000</u>	<u>4,206,000</u>	<u>22,241,000</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 8 - LONG-TERM DEBT**, Continued

**Bonds Payable**, Continued

		<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Athletic Facilities Revenue Bond				
2001A5	2021	120,000	5,508	125,508
	2022	-	-	-
	2023	-	-	-
	2024	-	-	-
	2025	-	-	-
	2026-2030	-	-	-
	2031-2035	-	-	-
	2036-2040	-	-	-
Total Series 2001A5 Bonds		<u>\$ 120,000</u>	<u>5,508</u>	<u>125,508</u>
Higher Education Facilities Revenue Bonds				
2016A	2021	1,110,000	71,985	1,181,985
	2022	1,130,000	50,677	1,180,677
	2023	1,140,000	28,986	1,168,986
	2024	370,000	7,102	377,102
	2025	-	-	-
	2026-2030	-	-	-
	2031-2035	-	-	-
	2036-2040	-	-	-
Total Series 2016A Bonds		<u>\$ 3,750,000</u>	<u>158,750</u>	<u>3,908,750</u>
2016B	2021	170,000	21,024	191,024
	2022	175,000	16,060	191,060
	2023	185,000	10,950	195,950
	2024	190,000	5,548	195,548
	2025	-	-	-
	2026-2030	-	-	-
	2031-2035	-	-	-
	2036-2040	-	-	-
Total Series 2016B Bonds		<u>\$ 720,000</u>	<u>53,582</u>	<u>773,582</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 8 - LONG-TERM DEBT**, Continued

Bonds Payable, Continued

On May 1, 2012, the University issued at par \$13,140,000 with a premium of \$2,800,071 in General Obligation Bonds for the purpose of refunding \$14,720,000 of outstanding General Obligation Bonds (Series 2001A2, 2001B5, 2003C, 2004A1 and 2005B). The 2012D bonds bear an average coupon rate of 4.987637 percent with the final payment due April 1, 2022. The refunded bonds carried an average coupon rate of 4.189946 percent with the final payment due April 1, 2022.

The net proceeds of \$15,838,426 (after payment of \$101,645 in underwriting fees and other issuance costs) were used to repay \$5,010,000 of principal and \$19,308 of interest for Series 2001A2, 2001B5 and 2003C bonds. In order to accomplish the current refunding, the University had to pay a 1 percent call premium (\$50,100) to holders of these outstanding bonds, which was paid from the bond proceeds. There was also \$12,008 of additional proceeds remaining from the issuance that was transferred to offset any additional issuance costs.

The remaining proceeds of \$10,747,010 were deposited in an irrevocable trust with an escrow agent to provide future debt service payments of \$3,040,000 and \$6,670,000, respectively, on Series 2004A1 with a call date of December 1, 2013 and on Series 2005B with a call date of October 1, 2015. Unamortized bond premiums on series 2004A1 and 2005B were \$51,126 at the date of advance refunding. As a result, Series 2004A1 and Series 2005B bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

Both refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,035,984. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being recognized as a component of interest expense annually through the year 2022. The University completed the refundings to reduce its total debt service payments over the next 10 years by \$1,580,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,203,239. As of June 30, 2020, the University has unamortized premium of \$29,719 which is being amortized over the life of the bond.

On May 1, 2012, Winthrop University issued \$2,245,000 in General Obligation Bonds Series 2012E with an average coupon rate of 4.203240 percent. The proceeds were used for renovations, repurposing, and other deferred maintenance projects on campus. As of June 30, 2020, the University has unamortized premium of \$36,074 which is being amortized over the life of the bond.

On December 10, 2013, Winthrop University issued \$3,045,000 in General Obligation Bonds Series 2013A with an average coupon rate of 4.152352 percent. The proceeds were used for renovations, repurposing, and other maintenance projects on campus. As of June 30, 2020, the University has unamortized premium of \$62,153 which is being amortized over the life of the bond.

On March 1, 2016, the University issued at par \$20,290,000 with a premium of \$5,505,632 in General Obligation Bonds for the purpose of refunding \$23,700,000 of outstanding General Obligation Bonds (Series 2005B, 2006A, 2008B, and 2009A). The 2016B bonds bear an average coupon rate of 5.00 percent with the final payment due April 1, 2029. The refunded bonds carried an average coupon rate of 4.182093 percent with the final payment due April 1, 2029.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 8 - LONG-TERM DEBT**, Continued

Bonds Payable, Continued

The net proceeds of \$25,555,607 (after payment of \$235,537 in underwriting fees and other issuance costs), combined with \$2,432 held in the University's debt service funds, were deposited in an irrevocable trust with an escrow agent to provide future debt service payments of \$3,500,000 on Series 2005B with a call date of March 31, 2016, \$3,885,000 on Series 2006A with a call date of April 1, 2016, \$8,315,000 on Series 2008B with a call date of April 1, 2018 and \$8,000,000 on Series 2009A with a call date of April 1, 2019. There was \$4,488 of additional proceeds remaining from the issuance. Unamortized bond premiums on series 2005B, 2006A, 2008B and 2009A were \$98,189 at the date of advance refunding. As a result, Series 2005B, 2006A, 2008B and 2009A bonds are considered to be defeased and the refunded portion of the liability for those bonds has been removed from the Statement of Net Position.

This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,759,850. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being recognized as a component of interest expense annually through the year 2028. The University completed the refunding to reduce its total debt service payments over the next 13 years by \$3,425,502 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3,130,107. As of June 30, 2020, the University has unamortized premium of \$2,305,993 which is being amortized over the life of the bond.

On June 1, 2016, the University issued \$7,735,000 in Tax Exempt Higher Education Facilities Revenue Bonds for the purpose of refunding \$7,275,000 of outstanding General Obligation Bonds (Series 2009A and 2011). The 2016A bonds bear an average coupon rate of 1.9196 percent with the final payment due April 1, 2024.

The net proceeds of \$7,566,541 (after payment of \$65,500 in issuance costs), combined with \$128,866 held in the University's debt service funds, were deposited in an irrevocable trust with an escrow agent to provide future debt service payments of \$2,715,000 on Series 2009A and \$4,560,000 on Series 2011 with applicable interest. There was \$102,959 of additional proceeds remaining from the issuance that was transferred to offset debt service costs on the 2016A bonds. As a result, Series 2009A and 2011 bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$420,407. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being recognized as a component of interest expense annually through the year 2023. The University completed the refunding to reduce its total debt service payments over the next 8 years by \$476,192 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$420,497.

On June 1, 2016, the University also issued \$1,365,000 in Taxable Higher Education Facilities Taxable Revenue Bonds for the purpose of refunding \$1,335,000 of outstanding Higher Education Facilities Taxable Revenue Bonds Series 2009B. The 2016B bonds bear an average coupon rate of 2.920 percent with the final payment due April 1, 2024.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 8 - LONG-TERM DEBT**, Continued

Bonds Payable, Continued

The net proceeds of \$1,328,000 (after payment of \$15,871 in issuance costs), combined with \$23,248 held in the University's debt service fund, were deposited in an irrevocable trust with an escrow agent to provide future debt service payments of \$1,335,000 on Series 2009B with applicable interest. There was \$21,129 of additional proceeds remaining from the issuance that was transferred to offset debt service costs on the 2016B bonds. As a result, the Series 2009B bonds is considered to be defeased and the liability has been removed from the Statement of Net Position.

This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$16,248. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being recognized as a component of interest expense annually through the year 2023. The University completed the refunding to reduce its total debt service payments over the next 8 years by \$200,309 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$202,067.

Bonds Payable - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Bonds payable consists of the following at December 31, 2019:

South Carolina Jobs - Economic Development Authority  
variable rate demand Economic Development Revenue  
Bonds. Issued December 1, 2011 with an effective  
variable interest rate currently at 3.69% net of the  
effects of a fixed interest swap agreement. Interest is  
payable monthly, and principal is payable in varying  
annual installments, maturing July 1, 2033.

Direct Purchase of Series 2011	<u>\$ 13,195,000</u>
--------------------------------	----------------------

On November 18, 2011, as part of the Series 2011 bond issuance, WUREF, LLC issued and filed the intent to redeem the outstanding balance of the Series 2002A bond issuance of \$16,535,000. The proceeds from the Series 2011 bond issuance were put into trust on December 1, 2011, and the related bond liability was called and redeemed on December 1, 2011. In accordance with the bond documents, the related trust assets and bond liability were removed from the financial statements of WUREF, LLC effective December 31, 2011.

WUREF, LLC had entered into a \$16,400,000 fixed interest rate swap agreement in conjunction with the Series 2002A bond issuance to manage exposure from the variable interest rate. The Swap remains in effect, is used to offset the interest from the Series 2011 bond issuance and is tied to the amount and amortization of the issuance, maturing on July 1, 2022. Realized losses on monthly settlement transactions totaled \$252,944 for the year ended December 31, 2019. Under the swap agreement, WUREF, LLC has limited its interest rate risk on the variable rate bond by effectively fixing the interest rate at 3.69% regardless of market fluctuations.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 8 - LONG-TERM DEBT**, Continued

Bonds Payable, Continued

Bonds Payable - Non Governmental Discretely Presented Component Unit, Continued

***Winthrop University Real Estate Foundation, Inc.***, Continued

Maturities on the bonds payable are scheduled as follows for years ending December 31:

2020	\$ 645,000
2021	685,000
2022	720,000
2023	760,000
Thereafter	<u>10,385,000</u>
	<u><u>\$ 13,195,000</u></u>

Certain bond issuance costs, including underwriter's fees and attorney fees in the amount of \$160,973 for the Series 2011 issuance, have been classified as other assets and are being amortized over the life of the Series 2011 issuance to its final scheduled maturity date. Amortization expense for the bond closing cost was \$6,999 for the period ended December 31, 2019.

Notes Payable

Notes payable consisted of the following at June 30, 2020:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
State of South Carolina Note Dated 10/24/2017	1.5%	07/01/2026	<u>\$ 54,211</u>
Total Notes Payable			<u><u>\$ 54,211</u></u>

A special student fee and a special admissions fee on all paid admissions to the athletic facilities are restricted to the payment of principal and interest on the athletic facilities note and are recorded in student tuition and fees revenues and other additions in the retirement of indebtedness plant funds subgroup. The bank notes will be repaid from available unrestricted sources and debt service payments will be reported as unrestricted current fund expenditures.

During fiscal year 2018, Winthrop University received a Public Entity Conserfund Loan from the South Carolina Office of Regulatory Staff in the amount of \$61,505. The proceeds were used to install LED lighting in the four-court indoor gymnasium of the West Center complex. The loan bears an interest rate of 1.5 percent and will be repaid in annual installments over a period of eight years commencing July 1, 2019 and due annually thereafter on the first day of the month, beginning on July 1, 2020 until paid in full. The University's savings in annual energy costs and lighting maintenance is expected to exceed the cost of this loan.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 8 - LONG-TERM DEBT**, Continued

Notes Payable, Continued

The note is payable in annual installments. Amounts required to complete payment of the note obligation as of June 30, 2020, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 7,403	813	8,216
2022	7,514	702	8,216
2023	7,627	589	8,216
2024	7,741	475	8,216
2025	7,857	359	8,216
2026-2030	16,069	363	16,432
Total Obligations	<u>\$ 54,211</u>	<u>3,301</u>	<u>57,512</u>

Master Lease Program Notes Payable

In prior years, the University made borrowings from a bank under the State Treasurer's Office's Master Lease Program. At June 30, 2020, the University had bank notes payable outstanding as follows:

	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Balance</u>
Note Dated February 28, 2013	2.330%	03/01/2020	\$ -
Note Dated February 15, 2018	3.130%	02/15/2025	1,471,927
Total			<u>\$ 1,471,927</u>

On February 28, 2013, Winthrop University borrowed \$2,000,000 from a financial institution with an average interest rate of 2.330 percent. The proceeds were used for the purchase of instructional equipment and software. The note is payable in annual installments plus interest. The University paid the final installment of this note payable in February 2020.

On February 15, 2018, Winthrop University borrowed \$2,000,000 from a financial institution with an interest rate of 3.130 percent. The proceeds are being used for the purchase of physiology instructional equipment, certain biology and chemistry scientific equipment, and performing arts equipment. The note is payable in annual installments plus interest.

Amounts, including those required to complete payment of the bank note obligations as of June 30, 2020 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 276,509	46,114	322,623
2022	285,171	37,451	322,622
2023	294,105	28,517	322,622
2024	303,320	19,303	322,623
2025	312,822	9,801	322,623
2026-2030	-	-	-
Total Obligations	<u>\$ 1,471,927</u>	<u>141,186</u>	<u>1,613,113</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 9 - LEASE OBLIGATIONS**

Future commitments for capital leases and operating leases having no cancelable terms in excess of one year as of June 30, 2020 were as follows:

<u>Year Ended June 30</u>	<u>Capital Leases/ Equipment</u>	<u>Operating Leases/ Equipment</u>
2021	\$ 59,321	50,365
2022	59,321	36,709
2023	35,125	7,222
2024	-	-
2025	-	-
Later Years	-	-
Total Lease Payments	<u>153,767</u>	<u>94,296</u>
Less: Interest	<u>(13,837)</u>	<u>-</u>
Total Present Value of Lease Payments	<u><u>\$ 139,930</u></u>	<u><u>94,296</u></u>

**Capital Leases**

During fiscal year 2018, the University entered into two capital leases. One lease began December 17, 2017 with the first of five annual lease installments of approximately \$21,000. This lease provided for acquisition of eighteen (18) office copier-scanning-printing devices used in offices throughout the University. A second capital lease began in June, 2018 and calls for thirty-six monthly lease payments in the amount of approximately \$3,200. This lease provided for the acquisition of two (2) high capacity color laser printers being used in the University's production printing area.

These lease agreements qualify as capital leases for accounting purposes (end-of-lease purchase option price of \$1) and, therefore, have been recorded at the present value of the future minimum lease payments as of the dates of their inception. As of June 30, 2020, the gross amount of these leased assets was \$256,573 and accumulated depreciation was \$76,042 which is reflected as Machinery, Equipment and Other in Capital Assets, Net on the Statement of Net Position. Depreciation expense for these leases for the year ended June 30, 2020 was \$32,072. Of the future commitments due for fiscal year 2021, \$51,286 will be a reduction of principal and \$8,035 will be interest expense.

**Operating Leases**

The University has various operating leases with external parties which include copier equipment, vehicles and building space. A majority of these leases are non-cancelable operating leases which provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total contingent rental payments for copier equipment on a cost per copy basis were \$128,621 for fiscal year 2020. For the year ending June 30, the University's non-cancelable lease expense for the vehicles and building space were \$60,437 and \$97,313, respectively. The University also secures vehicle use through cancelable operating leases with the State of South Carolina. For the year ended June 30, 2020, the University recorded expenses of \$326,782 under these cancelable leases.



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 10 - PENSION PLANS**

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

**Plan Descriptions**

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the S.C. General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 10 - PENSION PLANS**, Continued

Plan Descriptions, Continued

In addition to the plans described above, PEBA also administers three single employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

State ORP - As an alternative to membership in SCRS, certain newly hired state, public school, and higher education employees and individuals first elected to the S.C. General Assembly at or after the November 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of the benefit terms for each system is presented below.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 10 - PENSION PLANS**, Continued

Benefits, Continued

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 10 - PENSION PLANS**, Continued

Contributions, Continued

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

Effective July 1, 2019, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 21.81%. Included in the total SCRS employer contribution rate is a base retirement contribution of 15.41%, 0.15% for the incidental death benefit program and a 6.25% surcharge that will fund retiree health and dental insurance coverage. The University's actual retirement and incidental death benefit program contributions for participating employees and TERI participants to the SCRS for the years ended June 30, 2020, 2019, and 2018 were:

<u>Fiscal Year Ended</u>	<u>Retirement</u>		<u>Incidental Death</u>	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
2020	15.410%	\$ 4,232,806	0.15%	\$ 41,202
2019	14.410%	\$ 3,724,779	0.15%	\$ 38,772
2018	13.410%	\$ 3,701,623	0.15%	\$ 41,405

Effective July 1, 2019, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 24.49%. Included in the total PORS employer contribution rate is a base retirement contribution of 17.84%, 0.20% for the incidental death benefit program, 0.20% for the accidental death program, and a 6.25% surcharge that will fund retiree health and dental insurance coverage. The University's actual retirement, incidental death benefit program and accidental death program contributions to the PORS for the years ended June 30, 2020, 2019, and 2018 were:

<u>Fiscal Year Ended</u>	<u>Retirement</u>		<u>Incidental Death</u>		<u>Accidental Death</u>	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
2020	17.840%	\$ 109,988	0.20%	\$ 1,233	0.20%	\$ 1,233
2019	16.840%	\$ 104,296	0.20%	\$ 1,239	0.20%	\$ 1,239
2018	15.840%	\$ 95,226	0.20%	\$ 1,202	0.20%	\$ 1,202

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 10 - PENSION PLANS**, Continued

Contributions, Continued

Employee and employer contributions to the State ORP are at the same rates as SCRS. Employees participating in the State ORP were required to contribute 9.00% of all earnable compensation. In fiscal year 2020, the employer contribution rate for the State ORP was 15.56% plus the retiree surcharge of 6.25% that will fund retiree health and dental insurance coverage. Of the 15.56% employer contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 10.41% retirement contribution and 0.15% incidental death benefit program contribution amounts are remitted to SCRS.

For fiscal year 2020, total contributions requirements to the ORP were \$3,745,920 (excluding the surcharge) from the University as employer and \$2,166,668 from its employees as plan members.

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2015.

The June 30, 2019, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the Systems' consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2018. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2019, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2019.

		<u>SCRS</u>		<u>PORS</u>
Actuarial Cost Method		Entry age normal		Entry age normal
Investment Rate of Return	1	7.25%	1	7.25%
Projected Salary Increases	1	3.0% to 12.5% (varies by service)	1	3.5% to 9.5% (varies by service)
Benefit Adjustments		Lesser of 1% or \$500 annually		Lesser of 1% or \$500 annually

1 Includes inflation at 2.25%

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 10 - PENSION PLANS**, Continued

Actuarial Assumptions and Methods, Continued

Assumptions used in the determination of the June 30, 2019, TPL are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2019, for SCRS and PORS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 50,073,060,256	27,238,916,138	22,834,144,118	54.4%
PORS	7,681,749,768	4,815,808,554	2,865,941,214	62.7%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the University reported liabilities of \$88,408,091 and \$1,223,731 for its proportionate share of the net pension liabilities of SCRS and PORS, respectively. The net pension liability was measured as of June 30, 2019. The University's proportion of the net pension liability was based on the University's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2019, the University's SCRS and PORS proportion was 0.387175% and 0.042699%, respectively.

For the year ended June 30, 2020, the University recognized net pension expenses of \$7,576,580 and \$112,208 for SCRS and PORS, respectively.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 10 - PENSION PLANS**, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SCRS</u>	<u>PORS</u>
Deferred Outflows of Resources		
Difference between Expected and Actual Experience	\$ 60,772	25,162
Changes of Assumptions	1,781,551	48,527
Net difference between Projected and Actual Earnings on Pension Plan Investments	782,707	15,516
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	957,870	5,755
University Contributions Subsequent to the Measurement Date	6,347,596	105,253
TOTAL	<u>\$ 9,930,496</u>	<u>200,213</u>
Deferred Inflows of Resources		
Difference between Expected and Actual Experience	\$ 635,108	9,044
Changes of Assumptions	-	-
Net difference between Projected and Actual Earnings on Pension Plan Investments	-	-
Change in Proportion and Difference Between Employer Contribution and Proportionate Share of Plan Contributions	4,762,790	172,831
TOTAL	<u>\$ 5,397,898</u>	<u>181,875</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 10 - PENSION PLANS**, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

The \$6,347,596 and \$105,253 reported as deferred outflows of resources related to pensions resulting from the University contributions subsequent to the measurement date for SCRS and PORS, respectively, during the year ended June 30, 2020 will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>SCRS</u>	<u>PORS</u>
2020	\$ 1,469,294	(13,266)
2021	(2,308,246)	(54,630)
2022	(1,243,205)	(23,125)
2023	267,159	4,106
2024	-	-
Thereafter	-	-

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2019 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 10 - PENSION PLANS**, Continued

Long-Term Expected Rate of Return, Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Allocation/Exposure		Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
<b>Global Equity</b>		<b>51.0%</b>		
Global Public Equity	1, 2	35.0%	7.29%	2.55%
Private Equity	2, 3	9.0%	7.67%	0.69%
Equity Options Strategies	1	7.0%	5.23%	0.37%
<b>Real Assets</b>		<b>12.0%</b>		
Real Estate (Private)	2, 3	8.0%	5.59%	0.45%
Real Estate (REITs)	2	1.0%	8.16%	0.08%
Infrastructure (Private)	2, 3	2.0%	5.03%	0.10%
Infrastructure (Public)	2	1.0%	6.12%	0.06%
<b>Opportunistic</b>		<b>8.0%</b>		
Global Tactical Asset Allocation	1	7.0%	3.09%	0.22%
Other Opportunistic Strategies		1.0%	3.82%	0.04%
<b>Credit</b>		<b>15.0%</b>		
High Yield Bonds/Bank Loans	1, 2	4.0%	3.14%	0.13%
Emerging Markets Debt		4.0%	3.31%	0.13%
Private Debt	2, 3	7.0%	5.49%	0.38%
<b>Rate Sensitive</b>		<b>14.0%</b>		
Core Fixed Income	1	13.0%	1.62%	0.21%
Cash and Short Duration (Net)		1.0%	0.31%	0.00%
Total Expected Return	4	<u>100.0%</u>		5.41%
Inflation for Actuarial Purposes				2.25%
				<u>7.66%</u>

1 Portable Alpha Strategies will be capped at 12% of total assets; Hedge funds (including all hedge funds used in portable alpha implementation) capped at 20% of total assets.

2 The target weights to Private Equity, Private Debt, Private Infrastructure and Private Real Estate will be equal to their actual weights as of prior month end. Private Equity and Public Equity combine for 44 percent of entire portfolio. Private Debt and High Yield/Bank Loans combine for 11 percent of the entire portfolio. Private Infrastructure and Public Infrastructure combine for 3 percent of the entire portfolio. Private Real Estate and Real Estate (REITs) combine for 9 percent of entire portfolio.

3 RSIC staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

4 The expected return for each of the Portable Alpha asset classes includes the expected return attributed to the Overlay Program. For benchmarking purposes there is a 10% weight assigned to Portable Alpha Hedge Funds in the Policy Benchmark.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 10 - PENSION PLANS**, Continued

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the University's proportionate share of the SCRS and PORS net pension liability calculated using the discount rate of 7.25 percent, as well as what the University's respective NPL would be if it were calculated using a discount rate of 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

<u>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</u>			
<u>Plan</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
SCRS	\$ 111,375,694	88,408,091	69,240,295
PORS	1,658,445	1,223,731	867,590

Additional Financial and Actuarial Information

Information contained in this note was compiled from the Systems' audited financial statements for the fiscal year ending June 30, 2019, and the accounting valuation report as of June 30, 2019. Additional financial information supporting the preparation of the Schedules of Pension Amounts by Employers (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' CAFR.

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

As discussed in Note 10, the South Carolina Public Employee Benefit Authority (PEBA) was created by the South Carolina General Assembly as part of Act No. 278 effective July 1, 2012. PEBA – Insurance Benefits is a state agency responsible for the administration and management of the state's employee insurance programs, other postemployment benefits trusts and retirement systems and is part of the State of South Carolina primary government.

The governing board of PEBA is a board of 11 members. The membership composition is three members appointed by the Governor, two members appointed by the President Pro Tempore of the Senate, two members appointed by the Chairman of the Senate Finance Committee, two members appointed by the Speaker of the House of Representatives and two members appointed by the Chairman of the House Ways and Means Committee. Individuals appointed to the PEBA board must possess certain qualifications. Members of the PEBA board serve for terms of two years and until their successors are appointed and qualify. Terms commence on July first of even numbered years. The PEBA board appoints the Executive Director. The laws of the State and the policies and procedures specified by the State for State agencies are applicable to all activities of PEBA. By law, the State Fiscal Accountability Authority (SFFA), which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and other postemployment benefits (OPEB).

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**, Continued

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trusts, and additions to and deductions from the OPEB Trusts fiduciary net position have been determined on the same basis as they were reported by the OPEB Trusts. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

PEBA - Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through the PEBA - Insurance Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov) or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, OPEB Trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

The Other Postemployment Benefits Trust Funds (OPEB Trusts), collectively refers to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), were established by the State of South Carolina as Act 195, which became effective in May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans. The SCLTDITF was created to fund and account for the employer costs of the State's Basic Long-Term Disability Income Benefit Plan.

In accordance with Act 195, the OPEB Trusts are administered by the PEBA - Insurance Benefits and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The OPEB Trusts are cost-sharing multiple-employer defined benefit OPEB plans. Article 5 of the State Code of Laws defines the two plans and authorizes the Trustee to at any time adjust the plans, including its benefits and contributions, as necessary to insure the fiscal stability of the plans. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides postemployment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents.

Benefits

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

The SCLTDITF is a long-term disability plan that covers employees of the State of South Carolina, including all agencies and public school districts and all participating local governmental entities. The SCLTDITF provides disability payments to eligible employees that have been approved for disability.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**, Continued

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires the postemployment and long-term disability benefits to be funded through non-employer and employer contributions for active employees and retirees to the PEBA – Insurance Benefits. Non-employer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from PEBA – Insurance Benefits reserves.

The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The covered payroll surcharge was 6.25% and 6.05%, for the fiscal years ended June 30, 2020 and 2019, respectively. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. The University paid approximately \$3,259,904 and \$2,987,953 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2020 and 2019, respectively. Other sources of funding for the SCRHITF also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs. Non-employer contributions include the mandatory transfer of accumulated PEBA – Insurance Benefits' reserves and the annual appropriation budgeted by the General Assembly. It is also funded through investment income.

The SCLTDITF is funded through employer contributions for active employees that elect health insurance coverage. For this group of active employees, PEBA – Insurance Benefits bills and collects premiums charged to State agencies, public school districts and other participating local governments. The monthly premium per active employee was \$3.22 for the fiscal years ended June 30, 2020 and 2019. The SCLTDITF premium is billed monthly by PEBA – Insurance Benefits and transferred monthly to the SCLTDITF. It is also funded through investment income. The University recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of \$34,036 and \$33,878 for the years ended June 30, 2020 and 2019, respectively.

The allocation percentage of the OPEB amounts are calculated differently for each OPEB Trust. For the SCRHITF, the allocation percentage is based on the covered payroll surcharge contribution for each employer. Please note that actual covered payroll contributions received from SCRS for the fiscal year 2019 totaled \$529,122,849. However, the covered payroll contributions total includes prior year covered payroll contribution adjustments and true-ups that net to a total of negative \$190,548.

In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities. For the year ended June 30, 2020, the University recognized nonemployer contributions of \$582,648 in Operating Revenues, Grants and Contracts on the Statement of Revenues, Expenses and Changes in Net Position.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**, Continued

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

An actuarial valuation to determine the total OPEB liability is required to be performed at least every two years. For financial reporting purposes, the net OPEB liability and OPEB expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year end-date. If the actuarial valuation used to determine the total OPEB liability is not calculated as of the measurement date, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the measurement date. The total OPEB liability shown in this report is based on an actuarial valuation performed as of June 30, 2018. Update procedures were used to roll forward the total OEPB liability to the measurement date of June 30, 2019. Please see the actuarial valuation report as of June 30, 2018 for additional discussion of the actuarial valuation, including the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2018; update procedures were used to roll forward the total OPEB liability to June 30, 2019
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	2.75%, net of OPEB Plan investment expense; including inflation
Single Discount Rate:	3.13% as of June 30, 2019
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality Assumptions	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 14 years
Retiree Participation:	79% for retirees who are eligible for funded premiums 59% participation for retirees who are eligible for Partial Funded Premiums 20% participation for retirees who are eligible for Non-Funded Premiums
Notes:	There were no benefit changes during the current year; the discount rate changed from 3.62% as of June 30, 2018 to 3.13% as of June 30, 2019; minor updates were made to the healthcare trend rate assumption

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**, Continued

Actuarial Assumptions and Methods, Continued

Additional information as of the latest actuarial valuation for SCLTDITF:

Valuation Date:	June 30, 2018; update procedures were used to roll forward the total OPEB liability to June 30, 2019
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	3.00%, net of Plan investment expense; including inflation
Single Discount Rate:	3.04% as of June 30, 2019
Salary, Termination, and Retirement Rates:	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Disability Incidence:	The rates used in the valuation are based on the rates developed for the South Carolina Retirement Systems pension plans
Disability Recovery:	For participants in payment, 1987 CGDT Group Disability; for active employees, 60% were assumed to recover after the first year and 92% were assumed to recover after the first two years
Offsets:	40% are assumed to be eligible for Social Security benefits; assumed percentage who will be eligible for a pension plan offset varies based on employee group
Expenses:	Third party administrative expenses were included in the benefit projections
Notes:	The discount rate changed from 3.91% as of June 30, 2018 to 3.04% as of June 30, 2019

Net OPEB Liability

The Net OPEB Liability (NOL) is calculated separately for each OPEB Trust Fund and represents that particular Trust's Total OPEB Liability (TOL) determined in accordance with GASB No. 74 less that Trust's fiduciary net position. The allocation of each employer's proportionate share of the collective Net OPEB Liability and collective OPEB Expense was determined using the employer's payroll-related contributions over the measurement period. This method is expected to be reflective of the employer's long-term contribution effort as well as be transparent to individual employers and their external auditors.

The following table represents the components of the net OPEB liability as of June 30, 2019:

OPEB Trust	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
SCRHITF	\$ 16,516,264,617	\$ 1,394,740,049	\$ 15,121,524,568	8.44%
SCLTDITF	40,743,755	38,775,500	1,968,255	95.17%

The TOL is calculated by the Trusts' actuary, and each Trust's fiduciary net position is reported in the Trust's financial statements. The NOL is disclosed in accordance with the requirements of GASB No. 74 in the Trusts' notes to the financial statements and required supplementary information. Liability calculations performed by the Trusts' actuary for the purpose of satisfying the requirements of GASB Nos. 74 and 75 and are not applicable for other purposes, such as determining the Trusts' funding requirements.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**, Continued

OPEB Expense

Components of collective OPEB expense reported in the Schedule of OPEB Amounts by Employer for the fiscal year ended June 30, 2019 are presented below.

Description	SCRHITF	SCLTDITF	Winthrop University's Proportionate Share	
			SCRHITF	SCLTDITF
Service Cost	\$ 510,940,536	7,941,182	\$2,885,276	33,206
Interest on the Total OPEB Liability	556,576,392	1,536,123	3,142,981	6,423
Projected Earnings on Plan Investments	(50,671,753)	(1,440,049)	(286,143)	(6,021)
OPEB Plan Administrative Expense	885,185	40,651	4,999	170
Recognition of Outflow (Inflow) of Resources Due to Liabilities	(100,567,732)	(54,053)	(567,905)	(226)
Recognition of Outflow (Inflow) of Resources Due to Assets	9,636,348	192,595	54,416	805
Total Aggregate OPEB Expense	<u>\$ 926,798,976</u>	<u>8,216,449</u>	<u>\$ 5,233,624</u>	<u>34,357</u>

Additional items included in Total Employer OPEB Expense are the current period amortized portions of deferred outflows and/or inflows of resources related to changes in employers' proportionate share of the collective NOL and differences between actual employer contributions and proportionate share of total plan employer contributions.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans

At June 30, 2020, the University reported liabilities of \$85,391,098 and \$8,230 for its proportionate share of the net OPEB liabilities of the SCRHITF and the SCLTDITF, respectively. The net OPEB liability was measured as of June 30, 2019. The University's proportion of the net OPEB liability was based on the University's share of contributions to the OPEB Trust Funds relative to the contributions of all participating employers. At June 30, 2019, the University's proportion of the SCRHITF and the SCLTDITF was 0.564699% and 0.418155%, respectively.

For the year ended June 30, 2020, the University recognized net OPEB expenses of \$3,788,405 and \$34,173 for the SCRHITF and the SCLTDITF, respectively.

As discussed in paragraph 86 of GASB Statement No. 75, differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan (active and inactive members) determined as of the beginning of the measurement period.

Additionally, differences between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period. For this purpose, the deferred outflows and inflows of resources are recognized in the OPEB expense as a level dollar amount over the closed period identified above.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans, Continued

At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SCRHITF	SCLTDITF
Deferred Outflows of Resources		
Difference between Expected and Actual Experience	\$ 1,005,499	-
Changes of Assumptions	5,650,400	4,630
Net Difference between Projected and Actual Earnings On OPEB Plan Investments	99,887	221
Change in Proportion and Difference Between Employer Contributions and Proportionate Share of Plan Contributions	-	-
University Contributions Subsequent to the Measurement Date	3,037,310	34,036
<b>TOTAL</b>	<b>\$ 9,793,096</b>	<b>38,887</b>
Deferred Inflows of Resources		
Difference between Expected and Actual Experience	\$ 2,775,670	5,727
Changes of Assumptions	5,287,881	733
Net Difference between Projected and Actual Earnings On OPEB Plan Investments		
Change in Proportion and Difference Between Employer Contributions and Proportionate Share of Plan Contributions	8,278,265	1,604
<b>TOTAL</b>	<b>\$ 16,341,816</b>	<b>8,064</b>

The \$3,037,310 and \$34,036 reported as deferred outflows of resources related to OPEB resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The \$3,037,310 represents the University contribution for the covered payroll surcharge of \$3,259,904 less the implicit subsidy of \$222,594 for the year ending June 30, 2020.

The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB outstanding at June 30, 2019 will be recognized in OPEB expense as follows:

Year Ended June 30	SCRHITF	SCLTDITF
2020	\$ (1,958,709)	395
2021	(1,958,709)	395
2022	(1,991,565)	(518)
2023	(2,043,631)	(1,692)
2024	(1,140,301)	(410)
Thereafter	(493,115)	(1,383)



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**, Continued

Long-term Expected Rate of Return

The long-term expected rate of return represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

South Carolina Retiree Health Insurance Trust Fund

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Allocation-Weighted Long-Term Expected Real Rate of Return</u>
U.S. Domestic Fixed Income	80.00%	0.60%	0.48%
Cash Equivalents	20.00%	0.10%	0.02%
Total	100.00%		0.50%
Expected Inflation			2.25%
Total Return			2.75%
Investment Return Assumption			2.75%

South Carolina Long-Term Disability Insurance Trust Fund

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Allocation-Weighted Long-Term Expected Real Rate of Return</u>
U.S. Domestic Fixed Income	80.00%	0.95%	0.76%
Cash Equivalents	20.00%	0.51%	0.10%
Total	100.00%		0.86%
Expected Inflation			2.25%
Total Return			3.11%
Investment Return Assumption			3.00%

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued**

Single Discount Rate

The Single Discount Rate of 3.13% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

A Single Discount Rate of 3.04% was used to measure the total OPEB liability for the SCLTDITF. This Single Discount Rate was based on an expected rate of return on plan investments of 3.00% and a municipal bond rate 3.13%. The projection of cash flows to determine this Single Discount Rate assumed that employer contributions will remain at \$38.64 per year for each covered active employee. Based on these assumptions, the plan's Fiduciary Net Position and future contributions were sufficient to finance the benefit payments through the year 2039. As a result, the long-term expected rate of return on plan investments was applied to project benefit payments through the year 2039, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity Analysis

The following table presents the University's proportionate share of the SCRHITF's and the SCLTDITF's net OPEB liability calculated using a Single Discount Rate of 3.13% and 3.04% respectively, as well as what the University's proportionate share of the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

<u>Sensitivity of the Net OPEB Liability to Changes in the Discount Rate</u>			
<u>Plan</u>	<u>1% Decrease (2.13%)</u>	<u>Current Discount Rate (3.13%)</u>	<u>1% Increase (4.13%)</u>
SCRHITF	\$ 101,230,101	85,391,098	72,679,641

<u>Sensitivity of the Net OPEB Liability to Changes in the Discount Rate</u>			
<u>Plan</u>	<u>1% Decrease (2.04%)</u>	<u>Current Discount Rate (3.04%)</u>	<u>1% Increase (4.04%)</u>
SCLTDITF	\$ 14,157	8,230	2,351

Regarding the sensitivity of the University's proportionate share of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the University's proportionate share of the plan's net OPEB liability, calculated using the assumed trend rates as well as what the University's proportionate share of the plan's net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher:

<u>Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate</u>			
<u>Plan</u>	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
SCRHITF	\$ 69,688,258	85,391,098	105,840,834

The SCLTDITF's net OPEB liability is not affected by changes in the healthcare cost trend rates due to the method used to calculate benefit payments. Therefore, the sensitivity to changes in the healthcare cost trend rates have not been calculated.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued**

Additional Financial and Actuarial Information

This information was compiled from the OPEB Trust Funds audited financial statements for the fiscal year ended June 30, 2019, and the accounting and financial reporting actuarial valuations as of June 30, 2019. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the OPEB Trust Funds audited financial statements.

**NOTE 12 – DEFERRED INFLOWS OF RESOURCES**

As of June 30, 2020, deferred inflows of resources related to pension plans is \$5,579,773 (see Note 10). As of June 30, 2020, the University has deferred inflows of resources related to postemployment benefits other than pensions (OPEB) of \$16,349,880 (see Note 11).

On April 19, 2017, the University received \$410,971 as a special one-time Division I distribution. These funds were used over three fiscal years to directly support student-athletes through academic, career success, and diversity programs as well as for student-athlete health and well-being. At June 30, 2020, the University had \$0 in deferred inflows for this distribution. The remaining amount of deferred inflows of resources represents voluntary nonexchange transactions relating to a future period.

**NOTE 13 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS**

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, there are no material claims or lawsuits against the University that are not covered by insurance or whose settlement would materially affect the University's financial position.

The University participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

The University had outstanding commitments under construction contracts of \$1,116,464 at June 30, 2020 of which \$0 was attributable to capital projects and the remaining \$1,116,464 was attributable to repairs and maintenance. The University anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees and state capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of State facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$0 of authorized state capital improvement bond proceeds available to draw at June 30, 2020.

Due to the COVID 19 Pandemic that has materialized during the fiscal year ended June 30, 2020 (FY20), the University continues to evaluate what effect it will have on its operation with respect to revenues, the collectability of receivables including timing concessions, the ability to obtain necessary materials and supplies, and to manage and protect the health and safety of students, faculty, and staff, all within the guidelines and mandates of federal, state, and local governments and officials.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 13 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS,** Continued

On March 15, 2020, in response to COVID-19 public health concerns, the Governor of South Carolina announced the closure of all South Carolina schools, including public universities. At that time, the University took steps to limit the number of individuals on campus and thus the potential for COVID-19 spread. All University offices and campus buildings were closed to all non-essential personnel. The University immediately moved to remote instruction for the remainder of the Spring semester, residence halls were closed to all students except those with severely extenuating circumstances, and on-campus dining locations were closed with limited pick-up meals provided to students who remained on campus.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act or, CARES Act, was passed by Congress and signed by President Donald Trump. This bill allotted \$2.2 trillion to provide fast and direct economic aid to the American people negatively impacted by the COVID-19 pandemic. Of that money, approximately \$14 billion was given to the Office of Postsecondary Education as the Higher Education Emergency Relief Fund ("HEERF"). The University was allocated \$5,382,130 from HEERF, of which \$2,691,065 was the minimum allocation for emergency student aid grants. Beginning May 5, 2020, the University disbursed emergency student aid grants under the name CARES Act Emergency Grant. In the first 30 days, Winthrop had disbursed \$2,456,050 to our students. Through the CARES appeal process, the University awarded an additional \$11,550, bringing the total amount disbursed in FY20 to \$2,467,600.

In April 2020, the University provided fee adjustments to students based on unused portions of residence hall, meal plan, and parking permit charges. These fee adjustments caused revenue reductions in the housing, dining, and parking funds. However, these reductions were mitigated by fiscal measures taken campus wide to freeze budgets and hiring. In FY20, the University also sold campus property (see Note 5). As a result of the mitigation measures taken, as well as the sale of this asset, the University ended the current fiscal year with an overall increase in unrestricted net position of approximately \$2.1M.

Auxiliary funds are pledged toward the payment of Higher Education Facilities Revenue Bonds. For the year ended June 30, 2020, the net position in the auxiliary funds only declined by approximately \$111K. In addition, the University ended the current fiscal year with a net position in auxiliary funds of approximately \$12M. At June 30, 2020, the University had Higher Education bonds payable of \$4,470,000 (see Note 8).

At this time, as of the date of this report, the University's management is unsure of the full effect of COVID 19 and will be monitoring and evaluating on an ongoing basis to determine the effect of this on its ongoing operations and on the value of its assets and obligations long term.

**Contingencies / Commitments - Non Governmental Discretely Presented Component Unit**

***The Winthrop University Foundation***

Due to the nature of the Foundation's normal activities, it is routinely subject to a variety of claims and demands by various individuals and entities. Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are resolved when certain events occur or fail to occur. Loss contingencies may result in litigation, claims, audit disallowances, threatened property loss, or uncollectible receivables. Such situations are loss contingencies if the related liability has not been recorded, yet a loss is reasonably possible. Guarantees of others' debts are loss contingencies, however, even if the probability of loss is remote. The Foundation maintains insurance against certain loss contingencies with liability policies and physical damage coverage. At the date of their report, management is not aware of any contingencies that will result in any material loss to the Foundation.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 13 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS,** Continued

Contingencies - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

In connection with the Bonds issued and outstanding (See Note 8), WUREF, LLC had entered into a \$16,400,000 fixed interest rate swap agreement in conjunction with the Series 2002A bond issuance to manage exposure from the variable interest rate connected to the bond.

**NOTE 14 - RELATED PARTIES**

The Alumni Association of Winthrop University is a separately chartered legal entity whose activities are primarily to provide financial assistance and other support to the University and its educational program. The Alumni Association is an eleemosynary corporation. The Association exists to promote the growth, progress and general welfare of Winthrop University and to foster among its former students a sentiment of regard for one another and a continuing attachment to their Alma Mater. Financial statements for this entity are audited by independent auditors and retained by them.

**NOTE 15 - DONOR RESTRICTED ENDOWMENTS**

At June 30, 2020, the University held \$499,628 in permanent endowed and \$238,733 in quasi endowed funds. Net unrealized gain at June 30, 2020 was \$1,077,927. This amount is included in the restricted expendable scholarships and fellowships amount in the Statement of Net Position. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the endowment funds.

The income earned on endowments is spent for the purposes for which the endowments were established. At June 30, 2020, the income available to be spent is \$228,858 of which \$173,901 is restricted to specific purposes.

**NOTE 16 - RISK MANAGEMENT**

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 16 - RISK MANAGEMENT**, Continued

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

On August 21, 2018, during a roof construction project on the Music Conservatory / Byrnes Auditorium, a roof fire ignited involving the wooden framed hatch access cover to the Number 2 Supply Fan for the auditorium. The smoke from the fire and the extinguishing agent used to put out the fire quickly filled the auditorium and conservatory. Due to the massive extent of the cleanup, Winthrop has been working with State Insurance Reserve Fund (IRF) and the roofer's insurance carriers to resolve this claim. Insurance proceeds are expected to cover the majority of the losses with respect to the building; however, there is a potential liability of uncovered costs related to building repairs. Once the insurance proceeds are received, cleanup and restoration will begin, and the bidding on the Music Conservatory / Byrnes Auditorium (Byrnes Auditorium) project will resume.

**NOTE 17 - OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification for the year ended June 30, 2020 are summarized as follows:

Instruction	\$ 43,171,574
Research	2,024,835
Public Service	10,545,418
Academic Support	8,513,385
Student Services	17,419,151
Institutional Support	12,420,245
Operation and Maintenance of Plant	10,548,606
Scholarships and Fellowships	12,016,651
Auxiliary Enterprises	11,955,505
Depreciation	4,624,113
Total Operating Expenses	<u><u>\$ 133,239,483</u></u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 18 – NONOPERATING FEDERAL GRANTS AND CONTRACTS**

Nonoperating Federal grants and contracts for the year ended June 30, 2020 are summarized as follows:

State Fiscal Stabilization Funds	\$ -
Federal Pell Grant Program - 2018	-
Federal Pell Grant Program - 2019	142,250
Federal Pell Grant Program - 2020	9,208,761
Total	<u>\$ 9,351,011</u>

Funds received for the Federal Pell program are recorded as nonoperating Federal grants and contracts in the accompanying Statement of Revenues, Expenses and Changes in Net Position. Prior to June 30, 2011, funds received for Pell were reported as operating grants and contracts.

**NOTE 19 - COMPONENT UNITS**

The Foundation and WUREF, Inc. maintain their accounts in accordance with the principals and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that represent expendable funds available for the operations of the Foundation or WUREF, Inc. which are not otherwise limited by donor restrictions. Designated net assets represent amounts designated by the Board of Directors for purposes other than operations.

Net assets with donor restrictions – Net assets consisting of funds stipulated by donors for specific operating purposes or programs, those with time restrictions, or those not currently available for use until commitments regarding their use have been fulfilled. When donor-imposed time restrictions expire, or a donor-imposed purpose restriction is fulfilled, the net assets with donor restrictions are released to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation and WUREF, Inc. are also included as a component of net assets with donor restrictions.

Split-interest trusts – Split-interest trusts consist of contributions to a trust controlled by a trustee (often the Foundation) which requires the trustee to invest the gift and make periodic payments to designated beneficiaries during their lives. Upon the death of the beneficiaries, the remaining trust balance goes to the Foundation subject to any use restrictions in the trust agreement with the donor.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designed for future periods or restricted by donor for specific purposes are reported as net assets with donor restriction support.

Contributions are recorded as revenue when unconditional promises (pledges) to give are received. Pledges to give that are due in the next year are recorded at their net realizable value. Pledges to give that are due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Amortization of discounts is reported as additional contribution revenue according to donor-imposed restrictions if any.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 19 - COMPONENT UNITS**, Continued

***The Winthrop University Foundation***

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the University. The Foundation's activities are governed by its Board of Directors.

The University recorded Non Governmental gifts receipts of \$1,353,617 from the Foundation in nonoperating revenues for the fiscal year ending June 30, 2020. These funds were used to support University programs such as scholarships and fellowships. The Foundation reimburses the University for any purchases made by the University on behalf of the Foundation.

Component unit receivables as of June 30, 2020 are \$175,472 due from the Foundation.

**Net Assets Without Donor Restrictions**

The Foundation's investments include a board designated endowment with a current fund balance of \$1,949,253. Investment income from the quasi-endowment may be appropriated for general expenditures and amounts from its corpus can be made available with board approval.

**Net Assets With Donor Restrictions**

**Temporarily Restricted Net Assets**

The Foundation's net assets with donor restrictions include amounts that are temporarily restricted for specified times and/or purposes and those that are permanently restricted for an indefinite period of time. Temporarily restricted net assets in the amount of \$4,397,767 are available for use by Winthrop University for student scholarships, or improving education programs or physical facilities. Net assets released from restrictions during 2019 were \$1,499,640 for expenses satisfying the restricted purpose of the donors.

**Permanently Restricted Net Assets**

**Split Interest Agreements**

Permanently restricted net assets in the form of split-interest agreements are planned gifts in the form of charitable gift annuities, charitable remainder trusts and beneficial interests in trusts held by others. When realized, these remainder gifts will be available for us by Winthrop University for student scholarships, academic support, and physical facilities. The estimated value of these remainder gifts available is \$614,525 in 2019. Net assets released in 2019 for annuity payments to donors was \$135,654.

Fair value of securities held	\$ 2,335,943
Annuity obligations	<u>(1,721,418)</u>
Permanently Restricted Net Assets from Split Interest Agreements	<u><u>\$ 614,525</u></u>

**Cash Value of Life Insurance**

Proceeds from life insurance policies are to be held in perpetuity in accordance with the donor's specifications. The cash value of these policies as of December 31, 2019 was \$72,644 and is reflected as permanently restricted net assets in the Foundation's financial statements.

**Endowment Funds**

The Foundation's net assets classification has not been significantly affected by the new regulations under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA). The Foundation's spending and investment policies are designed to maintain the historical cost of all endowment gifts as permanent net assets and to appreciate those assets at a rate above inflation over the long-term for preservation of capital value. As of December 31, 2019, the Foundation had \$59,401,183 in assets to be held in perpetuity. In accordance with the Foundation's spending policy \$1,111,539 were released from restriction for student scholarships in 2019.



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2020

**NOTE 19 - COMPONENT UNITS**, Continued

***Winthrop University Real Estate Foundation, Inc.***

In January 2004, WUREF Development, LLC, a separately wholly owned organization of WUREF, Inc., spent approximately \$19 million to construct a 406 bed resident student housing facility. Winthrop University has entered into an agreement with WUREF to provide management services for assigning students to rooms and collecting required fees. For the period July 1, 2019 thru June 30, 2020, the fee for management services amounted to \$162,837. WUREF Development, LLC reimburses the University for any purchases made by the University on behalf of the Foundation.

In addition, the University recorded Non Governmental gifts receipts of \$0 from WUREF Development, LLC in nonoperating revenues for the fiscal year ending June 30, 2020. These funds would primarily be used to support student scholarships for the University.

Component unit receivables as of June 30, 2020 are \$668,318 due from WUREF, Inc.

**Net Assets without donor restrictions designated by the Board of Directors**

At December 31, 2019, net assets without donor restrictions designated by the Board of Directors was \$511,285. In accordance with the Operations Reserve Funds Policy of WUREF, Inc., the Board of Directors (the "Board") reviews the Surplus Funds available from WUREF Development LLC for the previous audited year. The Board then allocates those funds to the ongoing operations of its subsidiaries, to Winthrop University (a related party) to further the University's mission, and to other uses determined by the Board.

Net assets without donor restrictions are designated by the Board for the following purposes:

Undesignated	\$ 408,943
Winthrop University	79,236
WUREF Development, LLC for bond renewal	10,000
WUREF, Inc. and WRE, LLC	13,106
Total	<u>\$ 511,285</u>

**NOTE 20 – SUBSEQUENT EVENTS**

The University's management continues to monitor and evaluate the effect of COVID 19 on its operations.

As of the date of this report, the University had not yet determined the use of the institutional share of the approximate \$2.6M HEERF funding (see Note 13); therefore, these federal funds had not yet been drawn or recorded as revenue.

In July 2020, as a minority serving institution, the University also received a notice of award for \$266,144 in additional HEERF funding under section 18004(a)(2). As of the date of this report, the University had not yet determined the use of these funds.

Also in July 2020, the University was notified of the process to apply for additional CARES funding available through SC Grants Management (SC CARES). The University submitted requests in accordance with those guidelines. On August 28, 2020 and September 4, 2020, the University was notified that our reimbursement requests of \$261,243 and \$408,840, respectively, had been approved.

On August 14, 2020, the University submitted a request to FEMA for a federal share amount of \$147,754. On September 2, 2020, the University received contingent approval pending additional verifications.

The funding received from these agencies will be recorded as Federal revenues and reported on the Schedule of Expenditures of Federal Awards for fiscal year 2021.

## **OTHER FINANCIAL INFORMATION**

**WINTHROP UNIVERSITY**  
Schedule Reconciling State Appropriation Per the Financial Statements  
To State Appropriation Recorded in State Accounting Records  
For the Year Ended June 30, 2020

The University is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as nonoperating revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the University receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is the University's base budget amount presented in the General Funds column of Section 5L of Part IA of the 2019-2020 Appropriation Act. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2020:

**Non-Capital Appropriations**

Non-Capital Appropriations per 2019-2020 Appropriations Act	\$ 19,508,974
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**State Budget and Control Board Allocations:**

State Budget and Control Board Approved	
Allocation for Pay Plan	364,926
Allocation for Health and Dental Insurance	-
Allocation for SCRS and PORS 1.00% Rate Increase	143,335
Allocation for Health Insurance	175,841
Allocation for Bonus Pay Allocation Proviso 112.1	163,539
From SC Education Lottery Fund - Technology Program	362,400
From Commission on Higher Education -	-
Academic Endowment Incentive Match	9,260
	20,728,275
Revised Non-Capital Appropriations - Legal Basis	(277,359)
Accrued Funding for Net Payroll Adjustments	-
Appropriations drawn but not expended during the current fiscal year	-
Total Non-Capital Appropriations Recorded	
As Current Year Revenue	\$ 20,450,916

**Capital Appropriations**

Proceeds drawn during the current fiscal year	\$ 210,873
Plus: Expenses incurred but not drawn during the current fiscal year	74,608
Less: Proceeds drawn but not expended during the current fiscal year	-
Total Capital Appropriations Recorded as Current Year Revenue	\$ 285,481

**Research Infrastructure Bond Proceeds**

Proceeds drawn during the current fiscal year	\$ -
Plus: Expenses incurred but not drawn during the current fiscal year	-
Less: Proceeds drawn but not expended during the current fiscal year	-
Total Research Infrastructure Bond Proceeds Recorded	
As Current Year Revenue	\$ -

## **REQUIRED SUPPLEMENTARY INFORMATION**

**WINTHROP UNIVERSITY**  
Schedule of Winthrop University's Proportionate Share of the  
SCRS and PORS Net Pension Liabilities  
For the Years Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>SCRS - South Carolina Retirement System</b>						
Winthrop's Proportion of the Net Pension Liability	0.387175%	0.411364%	0.417993%	0.399163%	0.437758%	0.44535%
Winthrop's Proportionate Share of the Net Pension Liability	\$88,408,091	\$92,173,454	\$94,096,947	\$85,260,628	\$83,022,915	\$76,674,505
Winthrop's Covered-Employee Payroll	\$25,848,572	\$27,603,452	\$28,359,664	\$26,327,792	\$29,052,225	\$29,338,296
Winthrop's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	342.02%	333.92%	331.80%	323.84%	285.77%	261.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.40%	54.10%	53.30%	52.90%	57.00%	59.90%
<b>PORS - South Carolina Police Officers Retirement System</b>						
Winthrop's Proportion of the Net Pension Liability	0.042699%	0.043433%	0.05570%	0.05494%	0.05576%	0.05535%
Winthrop's Proportionate Share of the Net Pension Liability	\$1,223,731	\$1,230,690	\$1,526,053	\$1,393,412	\$1,215,309	\$1,059,697
Winthrop's Covered-Employee Payroll	\$619,333	\$601,177	\$745,378	\$700,344	\$690,800	\$659,511
Winthrop's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	197.59%	204.71%	204.74%	198.96%	175.93%	160.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.70%	61.70%	60.90%	60.40%	64.60%	67.50%

**WINTHROP UNIVERSITY**  
Schedule of Winthrop University's SCRS and PORS Contributions  
For the Years Ended June 30,

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>SCRS - South Carolina Retirement System</b>						
Contractually Required Contribution	\$6,347,596	\$5,486,050	\$5,280,158	\$4,876,141	\$4,275,085	\$4,473,914
Contribution in Relation to the Contractually Required Contribution	(\$6,347,596)	(\$5,486,050)	(\$5,280,158)	(\$4,876,141)	(\$4,275,085)	(\$4,473,914)
Contribution Deficiency / (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's Covered Payroll	\$27,467,916	\$25,848,572	\$27,603,452	\$28,359,664	\$26,327,792	\$29,052,225
Contributions as a Percentage of Covered Payroll	23.11%	21.22%	19.13%	17.19%	16.24%	15.40%
<b>PORS - South Carolina Police Officers Retirement System</b>						
Contractually Required Contribution	\$105,253	\$99,573	\$90,438	\$106,142	\$96,228	\$92,635
Contribution in Relation to the Contractually Required Contribution	(\$105,253)	(\$99,573)	(\$90,438)	(\$106,142)	(\$96,228)	(\$92,635)
Contribution Deficiency / (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
University's Covered Payroll	\$616,523	\$619,333	\$601,177	\$745,378	\$700,344	\$690,800
Contributions as a Percentage of Covered Payroll	17.07%	16.08%	15.04%	14.24%	13.74%	13.41%

**WINTHROP UNIVERSITY**  
Schedule of Winthrop University's Proportionate Share of the Net OPEB Liability  
For the Year Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>South Carolina Retiree Health Insurance Trust Fund (SCRHITF)</b>			
Winthrop's Proportion of the OPEB Liability	0.564699%	0.603339%	0.633964%
Winthrop's Proportionate Share of the Net OPEB Liability	\$85,391,098	\$85,496,666	\$85,869,385
Winthrop's Covered Payroll	\$49,387,650	\$51,979,351	\$53,461,195
Winthrop's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Payroll	172.90%	164.48%	160.62%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	8.44%	7.91%	7.60%
<b>South Carolina Long-term Disability Insurance Trust Fund (SCLTDITF)</b>			
Winthrop's Proportion of the OPEB Liability	0.418155%	0.428761%	0.427446%
Winthrop's Proportionate Share of the Net OPEB Liability	\$8,230	\$13,125	\$7,749
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	95.17%	92.20%	95.29%

**WINTHROP UNIVERSITY**  
Schedule of Winthrop University's OPEB Contributions  
For the Year Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>South Carolina Retiree Health Insurance Trust Fund (SCRHITF)</b>			
Contractually Required Contribution	\$3,037,310	\$2,978,485	\$2,790,604
Contribution in Relation to the Contractually Required Contribution	<u>(\$3,037,310)</u>	<u>(\$2,978,485)</u>	<u>(\$2,790,604)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's Covered Payroll	\$52,158,471	\$49,387,650	\$51,979,351
Contributions as a Percentage of Covered Payroll	5.82%	6.03%	5.37%
 <b>South Carolina Long-term Disability Insurance Trust Fund (SCLTDITF)</b>			
Contractually Required Contribution	\$34,036	\$33,878	\$34,132
Contribution in Relation to the Contractually Required Contribution	<u>(\$34,036)</u>	<u>(\$33,878)</u>	<u>(\$34,132)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's Covered Payroll	n/a	n/a	n/a
Contributions as a Percentage of Covered Payroll	n/a	n/a	n/a